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

Stock Code : 00270

Annual Report 2019

CONTENTS

CORPORATE INFORMATION

as at 27 March 2020

Board of Directors

Executive Directors

Mr. HOU Wailin *(Chairman)*
Mr. WEN Yinheng *(Managing Director)*
Mrs. HO LAM Lai Ping, Theresa *(Company Secretary)*
Mr. TSANG Hon Nam *(Chief Financial Officer)*

Non-Executive Directors

Mr. CAI Yong
Ms. ZHAO Chunxiao
Mr. LAN Runing
Mr. LI Wai Keung

Independent Non-Executive Directors

Dr. CHAN Cho Chak, John, *GBS, JP*
Dr. the Honourable LI Kwok Po, David, *GBM, GBS, OBE, JP*
Mr. FUNG Daniel Richard, *SBS, QC, SC, JP*
Dr. the Honourable CHENG Mo Chi, Moses, *GBM, GBS, OBE, JP*
Mr. WU Ting Yuk, Anthony,
Standing Committee Member of CPPCC National Committee, GBS, JP

Audit Committee

Mr. WU Ting Yuk, Anthony *(Committee Chairman)*
Dr. CHAN Cho Chak, John
Dr. the Honourable LI Kwok Po, David
Mr. FUNG Daniel Richard
Dr. the Honourable CHENG Mo Chi, Moses

Remuneration Committee

Dr. CHAN Cho Chak, John *(Committee Chairman)*
Dr. the Honourable LI Kwok Po, David
Mr. FUNG Daniel Richard
Dr. the Honourable CHENG Mo Chi, Moses
Mr. WU Ting Yuk, Anthony

Nomination Committee

Mr. HOU Wailin *(Committee Chairman)*
Dr. CHAN Cho Chak, John
Dr. the Honourable LI Kwok Po, David
Mr. FUNG Daniel Richard
Dr. the Honourable CHENG Mo Chi, Moses
Mr. WU Ting Yuk, Anthony

Company Secretary

Mrs. HO LAM Lai Ping, Theresa

Auditor

Ernst & Young

Principal Bankers

Bank of China (Hong Kong) Limited
China CITIC Bank, Guangzhou Branch
China Merchants Bank
Chong Hing Bank
Dah Sing Bank
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank
Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China, Shenzhen Branch
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited

Registered Office

28th and 29th Floors
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Telephone	:	(852) 2860 4368
Facsimile	:	(852) 2528 4386
Email	:	ir@gdi.com.hk
Website	:	http://www.gdi.com.hk

Share Registrar

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Customer Service Hotline: (852) 2980 1333

Share Information

Place of Listing	Main Board of The Stock Exchange of Hong Kong Limited
Stock Code	00270
Board Lot	2,000 shares
Financial Year End	31 December

Shareholders' Calendar

Annual General Meeting
12 June 2020 3:00 p.m.

Final Dividend
40.5 HK cents per ordinary share, payable on or about 30 July 2020

Last Share Registration Date

For attending Annual General Meeting	8 June 2020, by 4:30 p.m.
For entitlement for Final Dividend	18 June 2020, by 4:30 p.m.

Closure of Register of Members

Final Dividend	19 June 2020

THE GROUP'S PRINCIPAL BUSINESSES

27 March 2020

Water Resources

- 96.04% GH Water Supply (Holdings) Limited
  - 99% Guangdong Yue Gang Water Supply Company Limited
- 48% Yangjiang Guangdong Qingyuan Huanbao Co., Ltd.▲
- 51% Gaozhou Guangdong Water Company Limited▲
- 74% Enshi Guangdong Zhengyuan Water Company Limited▲
- 69.5% Yunfu Guangdong Water Company Limited▲
- 76.2% Hainan Danzhou Guangdong Water Company Limited▲
- 95% Yangshan Guangdong Huanbao Co., Ltd.▲
- 46% Xinghua Guangdong Water Company Limited
- 100% Guangdong Water Group (H.K.) Limited
  - 30% Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd.
  - 43.86% Dongguan Qingxi Guangdong Water Co., Ltd.▲
  - 49% Guangzhou Nansha GDH Water Co., Ltd.▲
  - 49% Shantou Guangdong Water Company Limited▲
  - 63.07% Xuyi Guangdong Water Company Limited▲
  - 100% Hainan Danzhou Tap Water Company Limited▲
  - 70% Meizhou Guangdong Water Co., Ltd.▲
  - 70% Suixi Guangdong Water Company Limited▲
  - 70% Fengshun Guangdong Water Co., Ltd.▲
  - 80% Shanwei Yuehai Huanbao Co., Ltd.
  - 85.8% Shaoguan Guangdong Luyuan Huanbao Co., Ltd.
  - 90% Lipu Guangdong Water Company Limited
  - 70.28% Kunming Guangdong Water Co., Ltd.
  - 90.1% DongguanChangping Jinsheng Water Co., Ltd.▲
  - 90.1% Dongguan Daojiao Hongfa Sewage Treatment Co., Ltd.▲
  - 97% Dapu Guangdong Huanbao Co., Ltd.▲
  - 98.8% Yangjiang Guangdong Huanbao Co., Ltd.
  - 98.8% WuChuan Guangdong Huanbao Co., Ltd.
  - 100% China City Water Supply Investment (Hong Kong) Limited
    - 60% Yizheng Gangyi Water Supply Company Limited▲
    - 60% Gaoyou Gangyou Water Supply Company Limited▲
    - 70% Zhaoqing HZ GDH Water Co., Ltd.
    - 70% Baoying Yuehai Water Company Limited▲
    - 86.96% Wuzhou Yuehai Huanbao Fazhan Company Limited▲
  - 100% Xingning Yuehai Huanbao Co., Ltd.▲
  - 100% Wuhua Yuehai Luyuan Huanbao Co.,Ltd.▲
  - 100% Wuhua Yuehai Huanbao Co., Ltd.▲
    - 100% Wuhua Yuehai Qingyuan Huanbao Co., Ltd.▲
  - 100% Guangdong Yuehai Water Investment Company Limited▲
    - 51% Wuzhou Yuehai Jianghe Water Company Limited▲
    - 54.29% Kaiping Guangdong Water Co., Ltd.▲
      - 100% Kaiping Yuehai Sewage Treatment Co., Ltd.▲
    - 65% Zhanjiang Hedi Water Supply Operation Company Limited
    - 98% Chaozhou Guangdong Huanbao Company Limited
    - 74.47% Pizhou Guangdong Water Company Limited
    - 79% Jiangxi Guangdong Public Utilities Holdings Co., Ltd.
      - 100% Nanchang Water Supply Company Limited
      - 100% Fengcheng Water Supply Company Limited
        - 77.49% Fengcheng Jianyi Water Supply Company Limited
      - 100% Yugan Water Supply Company Limited
      - 100% Laian Guangdong Water Supply Company Limited
      - 100% Zhejiang Bohua Environment Technology Engineering Company Limited
        - 100% Quzhou Guangdong Huanbao Facilities Operation Company Limited
        - 67.76% Longxi Bohua Sewage Treatment Company Limited
        - 100% Yunhe Guangdong Huanbao Company Limited
        - 100% Wenling Guangdong Huanbao Company Limited
        - 100% Cangnan Guangdong Huanbao Company Limited
      - 100% Jiangxi Lianhe Construction Engineering Company Limited
    - 90% Liupanshui Guangdong Huanbao Co., Ltd.

Property Investment and Development

- 73.82% Guangdong Land Holdings Limited
- 100% Global Head Developments Limited *(Guangdong Investment Tower properties)*
- 100% Guangdong Properties Holdings Limited *(Guangdong Group Building properties)*
- 76.13% GDH Teem (Holdings) Limited▲ *(Teem Plaza)*
  - 60% Guangzhou Tianhecheng Investment Co., Ltd.▲
    - 68% Guangzhou City Wanye Investment Management Company Limited▲ *(Panyu Wanbo CBD project)*
- 76.02% Tianjin YueHai Teem Shopping Center Co., Ltd. *(Tianjin Teem Shopping Mall)*

GUANGDONG INVESTMENT LIMITED
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Department Store Operation

85.20%
GDH Teem Department Store Co., Ltd.▲

Hotel Ownership, Operation and Management

76.13%
Sheraton Guangzhou Hotel

100%
Guangdong (International) Hotel Management Holdings Limited

100%
Fill Success Investments Limited
(Wharney Guangdong Hotel (Hong Kong))

100%
Guangdong Hotel Limited
(Guangdong Hotel (Hong Kong))

100%
Guangdong Hotel (Zhu Hai)▲

99%
Shenzhen Guangdong Hotel Enterprise Ltd.▲
(Guangdong Hotel (Shen Zhen))

Energy Projects, Road and Bridge

100%
Guangxi GDH Highway Co., Ltd▲
(Xingliu Expressway)

71.25%
Zhongshan GDH Energy Co., Ltd.▲
(Zhongshan Energy Project)

100%
Dongguan Yuehai Yinping Development and Construction Limited▲

25%
Guangdong Yudean Jinghai Power Generation Co., Ltd.
(Yudean Jinghai Power Plant)

100%
Guangzhou GDI Yinping Capital Management Limited

Notes:

(i) Projects of the Group are shown in italics and do not constitute part of the individual company's or joint venture's name.

(ii) The English name of the entity marked with a "▲" is a translation of its Chinese name, and is included herein and in other sections of this Annual Report for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

FINANCIAL HIGHLIGHTS

Financial Highlights for the year ended 31 December

	2019 HK$'000	2018 HK$'000	Changes %
Revenue	**16,691,209**	13,363,600	24.9
Profit for the year attributable to owners of the Company	**5,044,370**	5,015,119	0.6
Earnings per share — Basic	**HK 77.16 cents**	HK 76.71 cents	0.6
Dividends per share			
Interim	**HK 17.30 cents**	HK 16.00 cents	
Proposed final	**HK 40.50 cents**	HK 37.50 cents	
	HK 57.80 cents	HK 53.50 cents	8.0
EBITDA	**9,053,590**	8,436,880	7.3
Owners' equity	**41,156,367**	40,372,255	1.9
Total assets	**76,424,494**	73,182,444	4.4
Net financial borrowings[7]	**–**	1,642,407	N/A

Key Ratios (as at 31 December)

	2019	2018
Gearing[1]	**N/A**	7.0%
Interest cover[2]	**26.94X**	50.11X
Liquidity[3]	**2.45X**	3.21X
Return on average owners' equity[4]	**12.37%**	12.45%
Post-tax return on average assets[5]	**7.55%**	7.87%
Dividend payout ratio[6]	**74.91%**	69.74%

Share Information (as at 31 December)

	2019	2018
Number of ordinary shares in issue	**6,538m**	6,538m
Market capitalisation	**HK$106,566m**	HK$98,983m
Closing market price per share	**HK$16.30**	HK$15.14
Basic earnings per share	**HK 77.16 cents**	HK 76.71 cents
Diluted earnings per share	**HK 77.16 cents**	HK 76.68 cents
Net asset value[8] per share	**HK$6.30**	HK$6.18

Notes:

1. $\frac{\text{Net Financial indebtedness}}{\text{Net asset value}^{8}}$
2. $\frac{\text{EBITDA}}{\text{Finance costs incurred}}$
3. $\frac{\text{Current assets}}{\text{Current liabilities}}$
4. $\frac{\text{Profit for the year attributable to owners}}{(\text{opening equity}^{8} + \text{closing equity}^{8})/2}$
5. $\frac{\text{Profit for the year}}{(\text{opening total assets} + \text{closing total assets})/2}$
6. $\frac{\text{Dividends per share}}{\text{Basic earnings per share}}$
7. Financial borrowings – cash and cash equivalents
8. Excluded non-controlling interests

Analysis of gross financial borrowings (as at 31 December)

	2019 HK$'000	2018 HK$'000
Loans maturity profile		
Within 1 year	**1,535,213**	1,685,292
In the 2nd year	**4,839,765**	702,546
In the 3rd to 5th years, inclusive	**1,490,250**	6,852,721
Over 5 years	**626,650**	89,248
	8,491,878	9,329,807
Currency	**%**	%
Hong Kong dollars	**61.8**	70.0
Renminbi	**38.2**	30.0
Interest rate	**%**	%
Floating	**94.7**	93.0
Fixed	**0.6**	0.5
Non-interest bearing	**4.7**	6.5

Source of financing (as at 31 December 2019)

	Available and committed %	Utilised %
Interest-bearing bank and other borrowings	**96.2**	**95.3**
Non-interest-bearing borrowings	**3.8**	**4.7**
	100.0	**100.0**

Analysis of the Group's Businesses

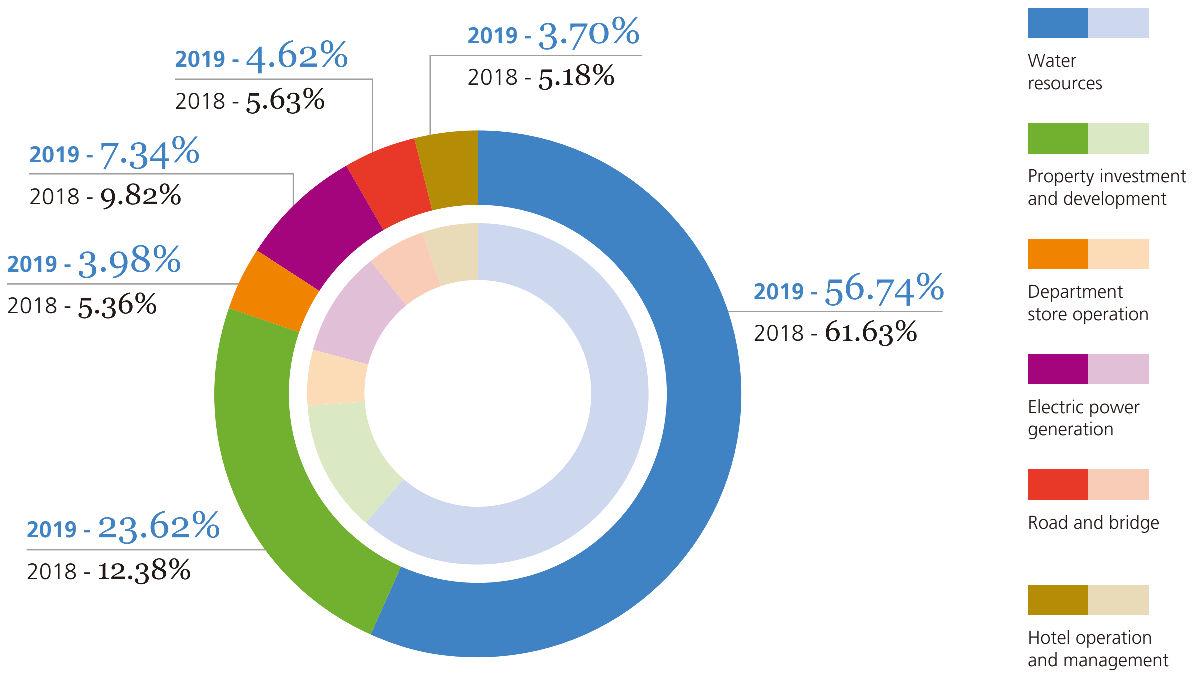
Year ended 31 December 2019

	Revenue HK$'000	%	Segment results HK$'000	%
By Activity:				
Water resources	9,470,077	56.74	4,462,493	61.66
Property investment and development	3,942,474	23.62	1,605,018	22.18
Department store operation	665,100	3.98	182,732	2.52
Electric power generation	1,224,791	7.34	357,949	4.95
Hotel operation and management	618,384	3.70	94,852	1.31
Road and bridge	770,383	4.62	534,486	7.38
Others and eliminations	–	–	(203,536)	–
	16,691,209	100.00	7,033,994	100.00
By Geographical Area:				
Mainland China	16,458,112	98.60		
Hong Kong	233,097	1.40		
	16,691,209	100.00		

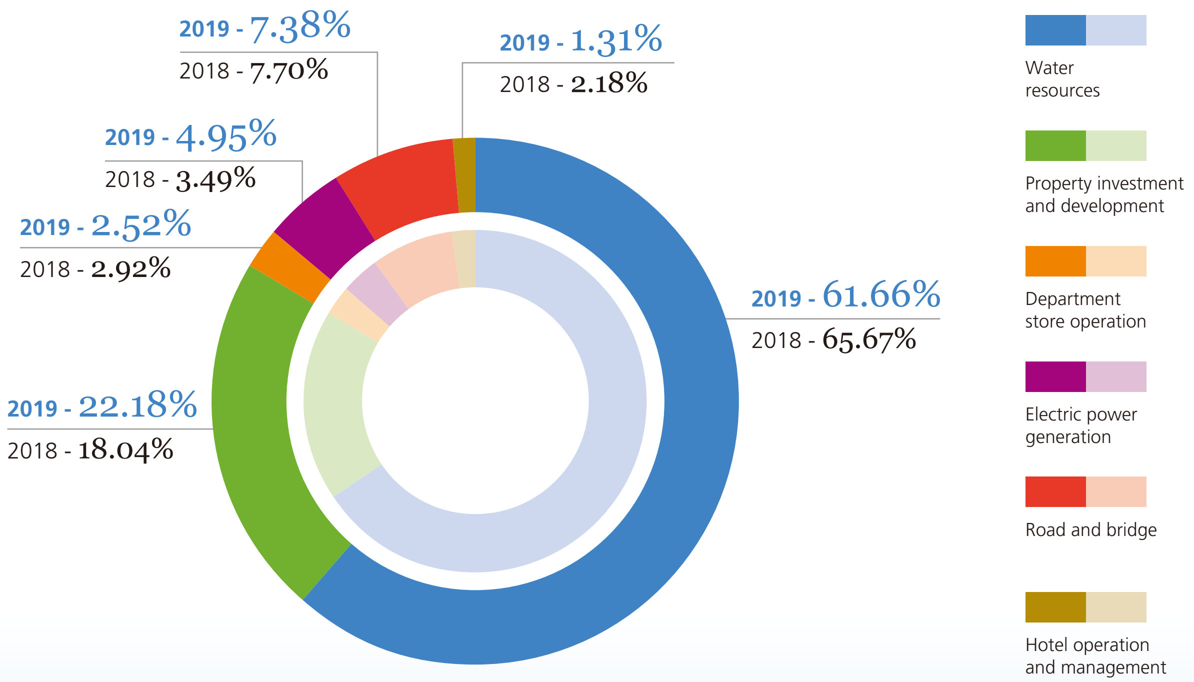
Year ended 31 December 2018

	Revenue HK$'000	%	Segment results HK$'000	%
By Activity:				
Water resources	8,235,422	61.63	4,179,049	65.67
Property investment and development	1,654,263	12.38	1,148,017	18.04
Department store operation	716,497	5.36	185,754	2.92
Electric power generation	1,312,672	9.82	221,803	3.49
Hotel operation and management	692,786	5.18	138,624	2.18
Road and bridge	751,960	5.63	489,844	7.70
Others and eliminations	–	–	(293,909)	–
	13,363,600	100.00	6,069,182	100.00
By Geographical Area:				
Mainland China	13,084,547	97.91		
Hong Kong	279,053	2.09		
	13,363,600	100.00		

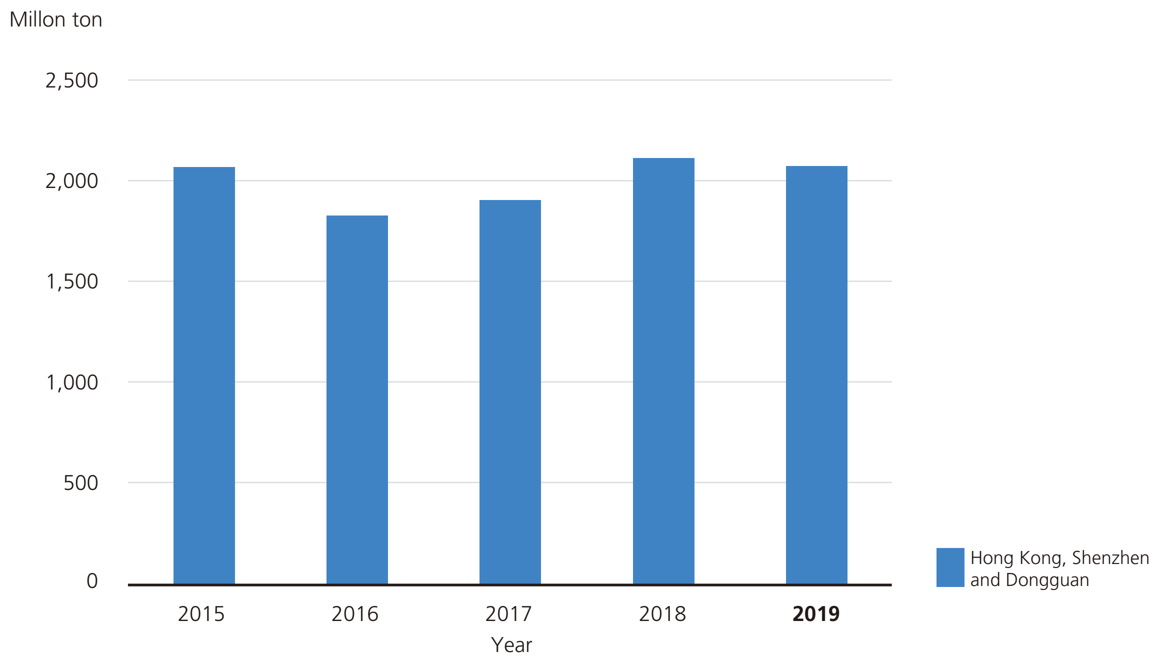
Revenue by Operating Segments



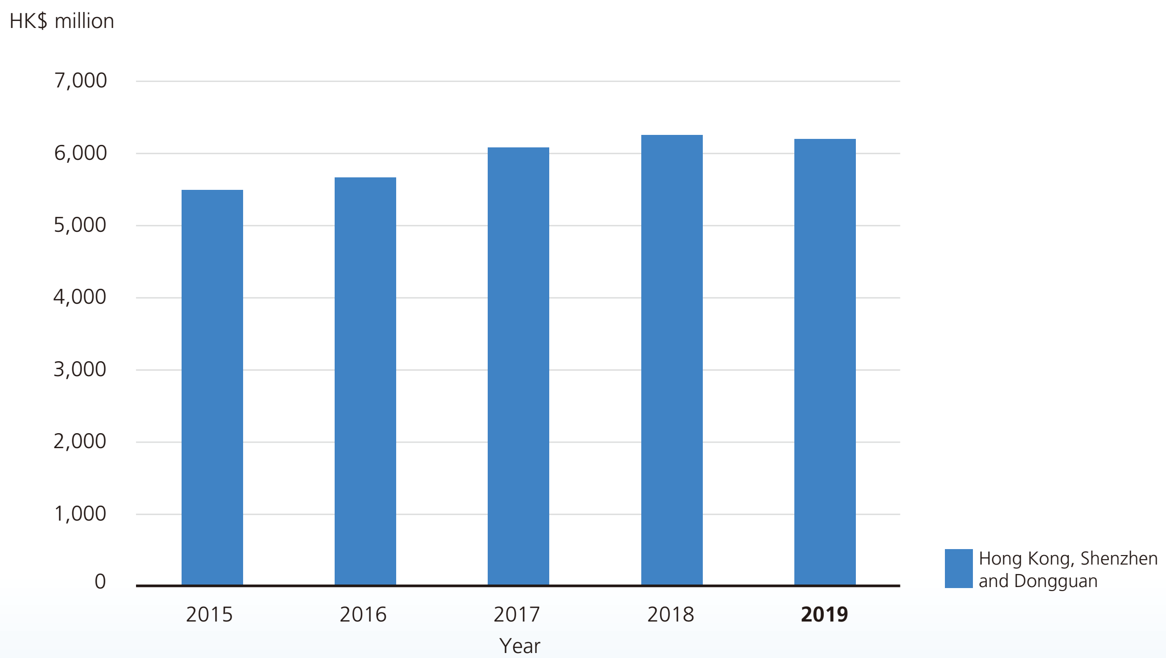
Segment Results by Operating Segments



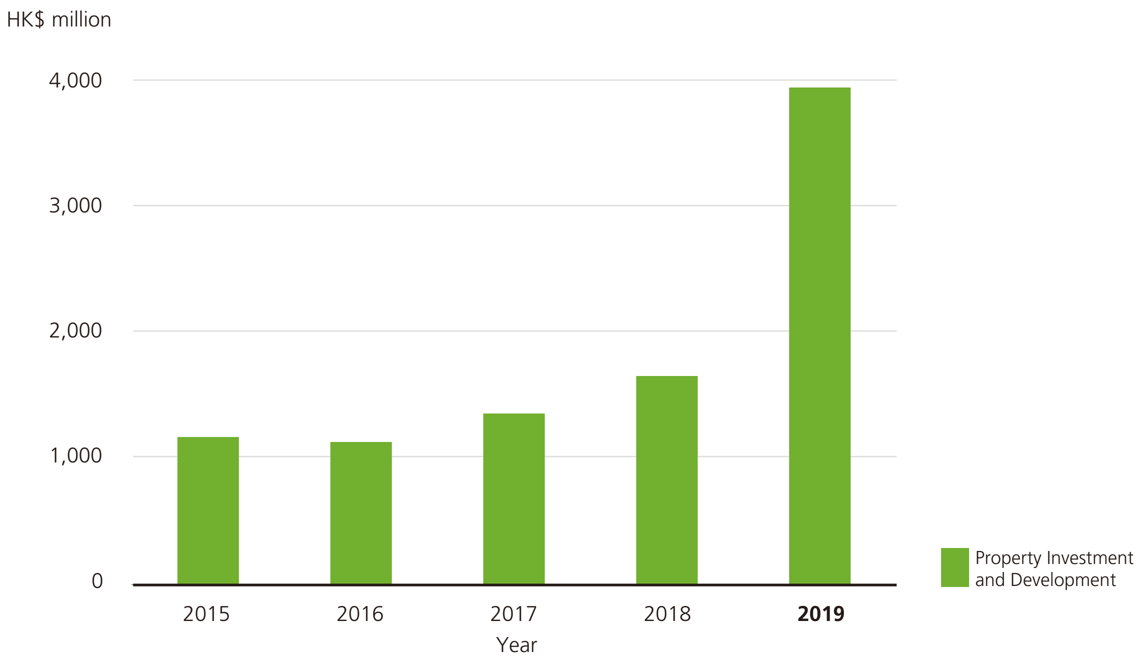
Water Distribution – Annual Volume



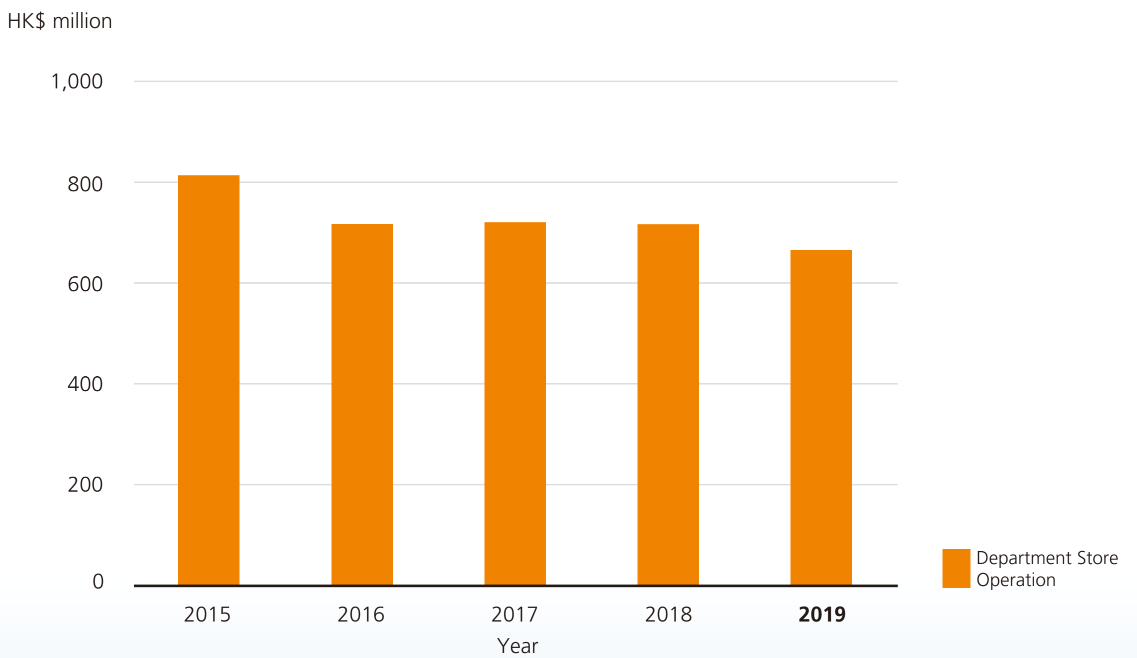
Water Distribution – Annual Revenue



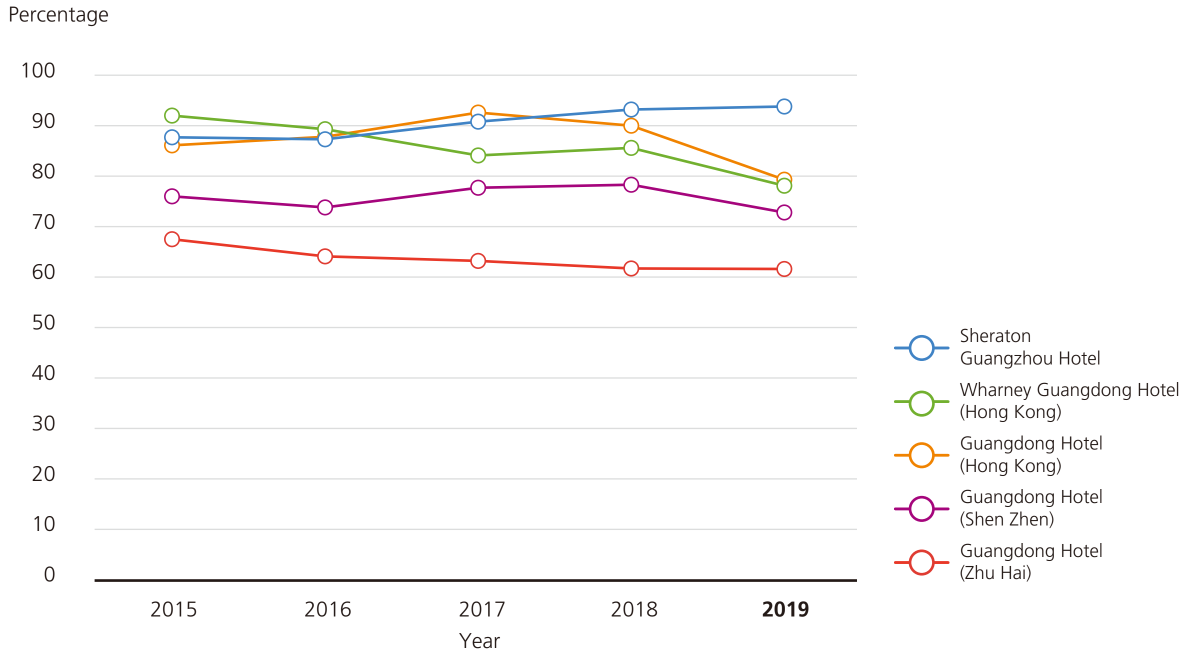
Property Investment and Development – Annual Revenue



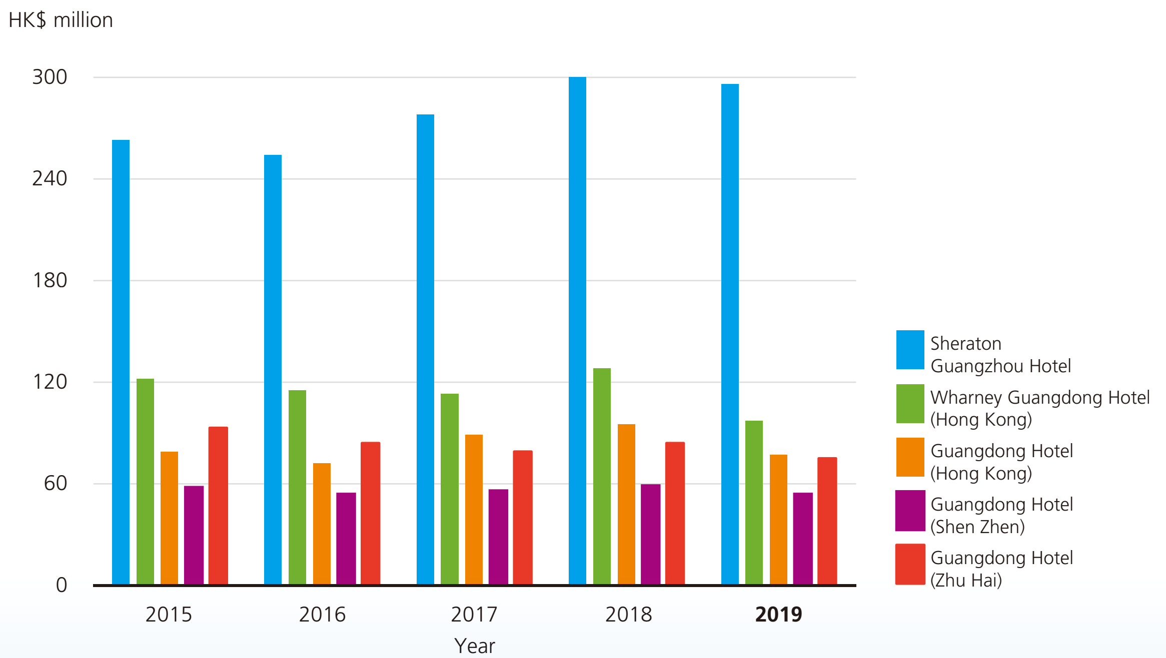
Department Store Operation – Annual Revenue



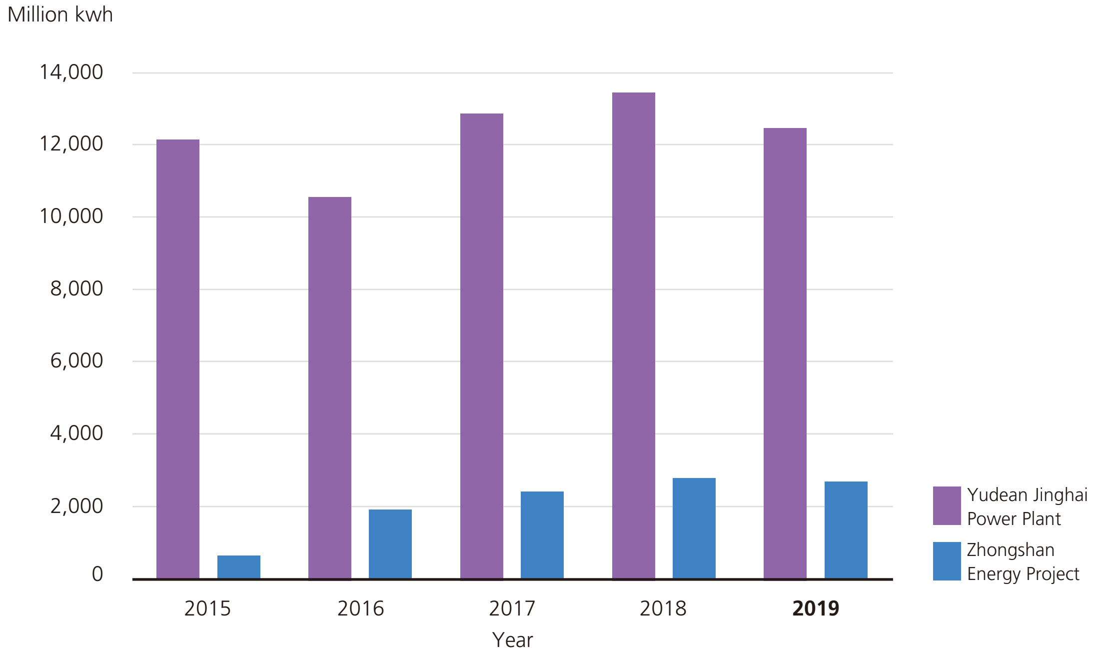
Hotel Operation and Management – Occupancy Rate



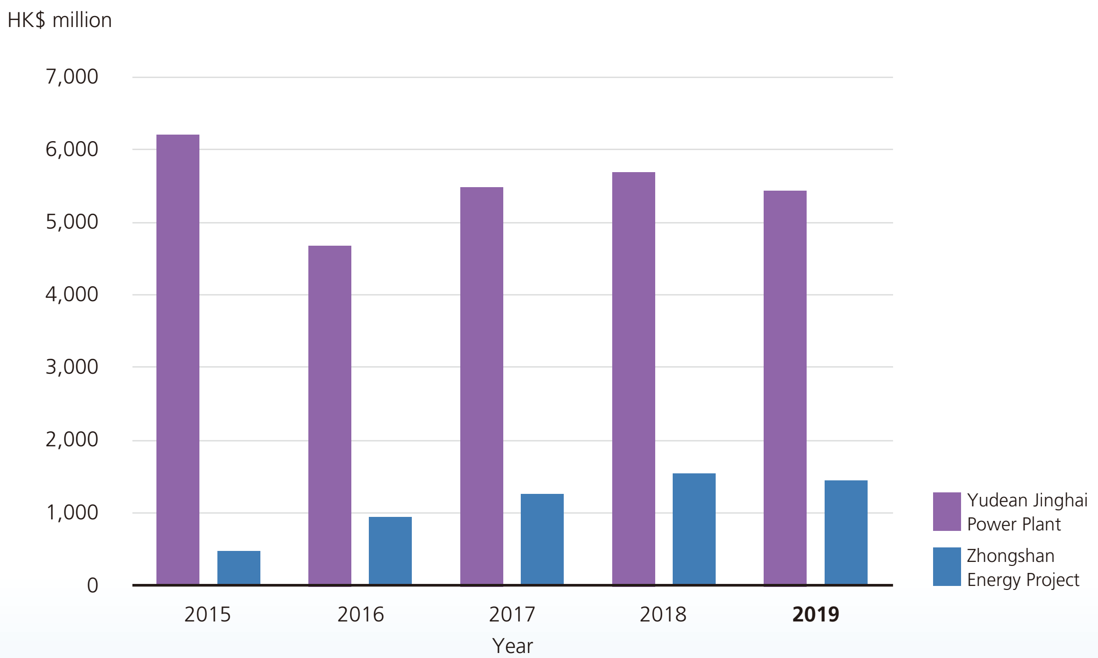
Hotel Operation and Management – Annual Revenue



Electric Power Generation – Annual Sales of Electricity



Electric Power Generation – Annual Revenue



CHAIRMAN'S STATEMENT

HOU Wailin
Chairman

Results

I am pleased to report to the shareholders our results of 2019. The Group's consolidated profit attributable to owners of the Company for 2019 amounted to HK$5,044 million (2018: HK$5,015 million), an increase of 0.6% over 2018. Basic earnings per share increased by 0.6% over the same period last year to HK 77.16 cents (2018: HK 76.71 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 40.5 cents per share for 2019. Aggregating such dividend with the interim dividend of HK 17.3 cents per share paid in 2019, the total dividend for the entire year will be HK 57.8 cents (2018: HK 53.5 cents) per share. The said 2019 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on or about 30 July 2020.

Review

In 2019, global economic recovery remained subdued due to increasing uncertainties such as China-US trade tension, official Brexit and complex geopolitical shifts. Despite growing downward pressure due to challenging external and domestic environment, China's economic performance maintained a steady and progressive growth trend and displayed resilience. Faced with intricate operating environment, the Group adhered to the development strategy of "make progress while ensuring stability". On the one hand, the Group continued to strengthen operational efficiency of its core businesses while further optimizing its corporate governance and risk management mechanisms. On the other hand, the Group actively 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 and accelerated the pace of new project acquisition, with expected total investment amount of newly signed projects reaching historical high. Property investment and development segment maintained high occupancy rates at all properties, with increasing profit contributions from property sales. Profit from hotel operation and management was lower due to unfavorable social circumstances and declining number of tourists in Hong Kong, as the Group strived to implement strategy adjustments in order to enhance the capability for sustainable development. Faced with macroeconomic downward pressure, the department store retail segment made timely adjustment to mode of operation of certain stores. The performance of infrastructure segment was in line with expectation. Profit from the power segment achieved steady growth, as the Group closely monitored impacts due to fluctuations in coal prices and industry policy changes. Our road and bridge segment achieved stable growth in both traffic flow and financial performance, though ongoing assessment of impact of potential road industry policy changes is crucial. Meanwhile, the Group closely monitored foreign exchange risks and utilised various strategies to minimise the Group's currency risk exposure.

Prospects

Looking ahead to 2020, though easing of China-US trade tension and global monetary policy may be indicators of a global economic rebound, trade policy changes, geopolitical tensions and the novel coronavirus epidemic outbreak weigh on global economic recovery. Although the epidemic outbreak delivers a shock to China's economic activities, long-term economic growth outlook remains solid. Faced with adverse impact on foot traffic, logistics, business operations, capital markets, interest rates and exchange rate market fluctuations due to the epidemic outbreak and hence certain business operations of the Group will confront challenges to a considerable extent in the short term, the Group will continue to implement its steady growth development strategy, maintain stable growth of its core businesses and strengthen its risk management capabilities in order to create long-term value for its stakeholders.

At the same time, the Group will continue its investments in water resources management, property investment and development as well as infrastructure segments, expanding its core business segments while optimizing its asset portfolio and resource allocation. The Group endeavours to proactively seek potential opportunities arising from "The Greater Bay Area Initiative" by pooling its existing businesses and resources, and continue to monitor potential industry consolidation, public-private-partnership projects as well as acquisition opportunities arising from core business expansion along the supply chain to promote profit growth so as to further enhance the Company's financial performance and create long-term value.

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

HOU Wailin
Chairman
Hong Kong, 27 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

The consolidated revenue of the Group for 2019 was HK$16,691 million (2018: HK$13,364 million), an increase of 24.9% as compared with that of 2018. The growth in revenue was mainly attributable to a better performance in water resources business and property investment and development business during the year.

The consolidated profit before tax for 2019 increased by 8.5% or HK$586 million to HK$7,481 million (2018: HK$6,895 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 during the year, partially offset by the absence in 2019 of the one-off gain on bargain purchase of approximately HK$297 million arising from the acquisition of 100% equity interest of 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.▲) which was recognised in 2018. Furthermore, the net gain arising from fair value adjustments for investment properties for the year was HK$172 million (2018: HK$230 million), HK$58 million lower than that in 2018. The net exchange gain of the Group for the year amounted to HK$83 million (2018: HK$120 million), HK$37 million lower than that in 2018. Total interest income and the changes in fair value of financial assets at fair value through profit or loss, net of finance costs of the Group for the year decreased by 40.1% to HK$235 million (2018: HK$392 million) for the year.

The consolidated profit attributable to owners of the Company for 2019 increased by 0.6% or HK$29 million to HK$5,044 million (2018: HK$5,015 million). Due to the increase in land appreciation tax in relation to the sales of completed properties of the Group, the Group's effective tax rate for the year increased to 24.5% (2018: 20.2%).

Basic earnings per share was HK 77.16 cents (2018: HK 76.71 cents), an increase of 0.6% as compared with that in 2018.

Business Review

A summary of the performance of the Group's major businesses during 2019 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 2019, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (2018: 96.04%). GH Water Holdings holds a 99.0% interest in Guangdong Yue Gang Water Supply Company Limited, the owner of the Dongshen Water Supply Project.

The designed annual capacity of Dongshen Water Supply Project is 2.423 billion tons. Total water supply to Hong Kong, Shenzhen and Dongguan during the year amounted to 2.071 billion tons (2018: 2.111 billion tons), a decrease of 1.9%, which generated a revenue of HK$6,195 million (2018: HK$6,250 million), a decrease of 0.9% over 2018.

Pursuant to the Hong Kong Water Supply Agreement for the years 2018 to 2020 entered into between the Government of the Hong Kong Special Administrative Region and the Guangdong Provincial Government in 2017, 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 0.3% to HK$4,807 million (2018: HK$4,793 million). The revenue from water sales to Shenzhen and Dongguan areas for the year decreased by 4.7% to HK$1,388 million (2018: HK$1,457 million). The profit before tax, excluding net exchange differences and net interest income, of the Dongshen Water Supply Project for the year was HK$3,853 million (2018: HK$3,834 million), 0.5% higher than that in 2018.

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 PRC.

On 7 May 2019, the Group completed an acquisition of 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 Holdings 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 six new water resources projects in Xinghua City and Pizhou City of Jiangsu Province, Zhanjiang City and Chaozhou City of Guangdong Province, Lipu City of Guangxi Zhuang Autonomous Region and Kunming City of Yunnan Province, the PRC during the year, with designed water supply capacity and waste water processing capacity of 1,854,000 tons per day and 110,000 tons per day respectively. The expected total investment amount of these projects are RMB8,942 million (equivalent to approximately HK$9,982 million).

As at 31 December 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 9,003,000 tons per day (2018: 6,004,000 tons per day) and 1,331,000 tons per day (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 Huanbao Company Limited▲), Jiangxi Guangdong Group and 昆明粵海水務有限公司 (Kunming Guangdong Water Co., Ltd.▲) 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, 81,000 tons and 15,000 tons per day, respectively, totaling 735,000 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▲), Jiangxi Guangdong Group, 高郵港郵供水有限公司 (Gaoyou Gangyou Water Supply Company Limited▲), 湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Company Limited▲), 邳州粵海水務有限公司 (Pizhou Guangdong Water Company Limited▲) and 荔浦粵海水務有限公司 (Lipu Guangdong Water Company Limited▲) is 20,000 tons, 50,000 tons, 400,000 tons, 30,000 tons, 55,000 tons, 1,060,000 tons, 250,000 tons and 80,000 tons per day, respectively, totaling 1,945,000 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.▲), 吳川粵海環保有限公司 (Wuchuan Guangdong Huanbao Co., Ltd.▲) and 潮州市粵海環保有限公司 (Chaozhou Guangdong Huanbao Company Limited▲) is 22,000 tons, 20,000 tons, 150,000 tons, 28,500 tons, 35,300 tons, 20,000 tons, 25,000 tons and 20,000 tons per day, respectively, totaling 320,800 tons per day.

- The water supply capacity of the water supply plants under construction of the associate of the Company, namely, 興化粵海水務有限公司 (Xinghua Guangdong Water Company Limited▲) is 430,000 tons per day.

Revenue of Other Water Resources Projects for the year in aggregate amounted to HK$3,293,698,000 (2018: HK$2,012,481,000), 63.7% higher than that in 2018. 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 year, excluding the net exchange differences and net finance costs, amounted to HK$648,410,000 (2018: HK$301,378,000) in aggregate, 115.1% higher than that in 2018.

Property Investment and Development

Mainland China

GDH Teem

As at 31 December 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 ▲) (Name subsequently changed to 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited▲)) ("GDH 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 GDH 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 year, revenue of GDH Teem increased by 1.8% to HK$1,229,070,000 (2018: HK$1,207,706,000). The profit before tax for the year, excluding changes in fair value of investment properties and net interest income, decreased by 4.1% to HK$783,451,000 (2018: HK$817,371,000). The HK$ equivalent of rental operations decreased because the average exchange rate of RMB had decreased by 4.0%.

The shopping mall of Teem Plaza, known as the 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 (2018: 99.9%).

The office building of Teem Plaza, 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 96.8% (2018: 98.5%), the revenue for the year was HK$223,404,000 (2018: HK$215,790,000), increasing by 3.5%. The profit before tax for the year, excluding changes in fair value of investment properties, increased by 5.0% to HK$187,040,000 (2018: HK$178,093,000).

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 GDH Teem, directly holds a 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 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 2019, the cumulative land and development cost incurred by the Group for Panyu Wanbo CBD Project amounted to approximately HK$3,230 million (2018: approximately HK$3,164 million).

The pre-sale of the commercial residential units and offices had commenced in 2018, with contracts signed for accumulated GFA of approximately 89,000 sq.m. as at 31 December 2019 (2018: approximately 49,000 sq.m.).

Upon the completion of the commercial residential units of Panyu Wanbo CBD Project, accumulated GFA of approximately 27,900 sq.m. (2018: Nil) had been delivered to customers during the year. Revenue of Panyu Wanbo CBD Project for the year was HK$702,873,000 (2018: Nil). Profit before tax for the year, excluding changes in fair value of investment properties and net interest income amounted to HK$336,603,000 (2018: loss before tax HK$29,741,000).

Tianjin Teem Shopping Mall

The Group held an effective interest of 76.02% in Tianjin YueHai Teem Shopping Center Co., Ltd. (formerly known as Tianjin Teem Shopping Center Co., Ltd. ▲), 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, had an average occupancy rate of 95.9% (2018: 98.2%) during the year. Revenue of Tianjin Teem Shopping Mall for the year was HK$190,090,000 (2018: HK$167,606,000), increasing by 13.4%. The profit before tax of Tianjin Teem Shopping Mall for the year, excluding changes in fair value of investment properties and net finance costs, was HK$60,378,000 (2018: HK$33,782,000), increasing by 78.7%.

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 31 December 2019, the cumulative development costs and direct expenses incurred by the Group for the GDH City Project amounted to approximately HK$8,815 million (2018: approximately HK$8,262 million), of which approximately HK$4,576 million (2018: approximately HK$4,146 million) and HK$4,239 million (2018: approximately HK$4,116 million) were attributable to "Properties held for sale under development" under the current assets and "Investment properties" under the non-current assets, respectively.

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 31 December 2019, accumulated GFA with contracts signed amounted to approximately 15,660 sq. m. (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, amongst 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 31 December 2019, the accumulated GFA of the residential units under the Laurel House Project which had been delivered to customers amounted to approximately 22,718 sq. m. (2018: approximately 2,943 sq. m.).

Revenue of GD Land for the year increased by 4.9 times to HK$1,836,676,000 (2018: HK$312,421,000), of which sales of properties amounted to HK$1,826,370,000 (2018: HK$309,434,000). The profit before tax of GD Land for the year, excluding changes in fair value of investment properties and net finance costs, was HK$70,209,000 (2018: loss before tax, excluding gain on bargain purchase, changes in fair value of investment properties and net finance costs, HK$79,340,000).

On 29 September 2019, GD Land succeeded in the bid for the land use rights of a state-owned construction land located at Pengjiang District, Jiangmen City, the PRC, with a site area of approximately 59,705 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 approximately HK$1,019,277,000). It is expected to be used for residential and commercial purposes.

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the year was 98.6% (2018: 99.5%). As a result of the increase in average rental, the total revenue for the year was up by 2.0% to HK$57,737,000 (2018: HK$56,605,000).

Department Store Operation

As at 31 December 2019, the Group held an effective interest of approximately 85.2% in both 廣東天河城百貨有限公司 (Name subsequently changed to 廣東粵海天河城百貨有限公司 (GDH Teem Department Store Co., Ltd.▲)) ("GDTDS") and 廣州市天河城萬博百貨有限公司 (Name subsequently changed to 廣州市粵海天河城百貨商業有限公司) ("天河城萬博"). GDTDS operates Teemall Store in Teem Plaza. GDTDS also operates Teemall Store – Beijing Road Branch ("Ming Sheng Store"), 奧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") and 佛山南海百貨店 ("Nanhai Store"). 天河城萬博 operates 天河城百貨歐萊斯折扣店 ("Wan Bo Store").

As at 31 December 2019, the Group operated seven stores (2018: eight stores) with a total leased area of approximately 136,000 sq. m. (2018: approximately 168,700 sq. m.). The total revenue for the year decreased by 7.2% to HK$665,100,000 (2018: HK$716,497,000). The profit before tax for the year decreased by 2.3% to HK$230,364,000 (2018: HK$235,864,000).

The revenue of the stores operated by the Group for the year ended 31 December 2019 was as follows:

		Revenue for the year ended 31 December		
	Leased area sq. m.	2019 HK$'000	2018 HK$'000	Changes %
Teemall Store	39,900	**437,450**	474,354	–7.8
Wan Bo Store	19,600	**82,810**	89,764	–7.7
Ming Sheng Store	11,900	**40,644**	46,440	–12.5
Dong Pu Store	28,300	**58,125**	52,750	+10.2
Ao Ti Store	21,500	**41,213**	42,141	–2.2
Dongguan Store	9,800	**3,554**	3,434	+3.5
Nanhai Store	5,000	**1,304**	2,784	–53.2
Yuehaiyangzhong Hui Store (closed in 2018)	–	**–**	2,294	–100.0
Tianjin Teem Store (transformed into lease operation in 2019)	–	**–**	2,536	–100.0
	136,000	**665,100**	716,497	–7.2

The Group's effective interest in 廣東永旺天河城商業有限公司 (Guangdong Aeon Teem Co., Ltd.▲) ("GD Aeon Teem") is 26.65%. The Group's share of profits in GD Aeon Teem amounted to HK$3,964,000 (2018: HK$8,123,000) during the year.

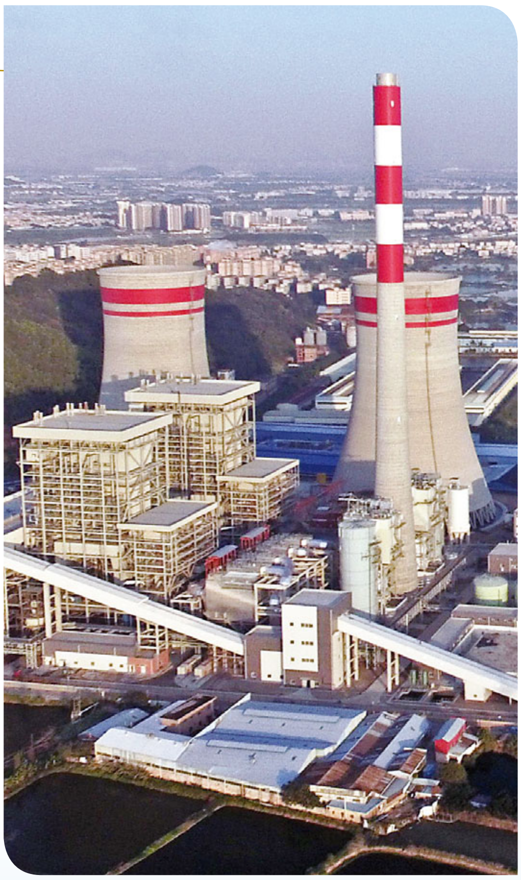
Hotel Ownership, Operation and Management

As at 31 December 2019, the Group's hotel management team managed a total of 35 hotels (2018: 34 hotels), of which three were located in Hong Kong, one in Macau and 31 in Mainland China. As at 31 December 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 year, the average room rate of Sheraton Guangzhou Hotel was HK$1,235 (2018: HK$1,284) whereas the average room rate of the remaining four star-rated hotels were HK$641 (2018: HK$764). The average occupancy rate of Sheraton Guangzhou Hotel was 93.8% (2018: 93.2%) and that of the other four star-rated hotels was 71.7% (2018: 76.9%) during the year.

Due to reduction of tourists visiting Hong Kong, the revenue of hotel ownership, operation and management business for the year decreased by 10.7% to HK$618,384,000 (2018: HK$692,786,000). The profit before tax for the year, excluding the net exchange differences, decreased by 29.9% to HK$109,781,000 (2018: HK$156,554,000).

Energy Projects



Zhongshan Energy Project

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% equity interest in 中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.▲) (formerly known as 中山火力發電有限公司 (Zhongshan Thermal Power Co., Ltd.▲)) ("Zhongshan Energy"). Zhongshan Energy has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the year amounted to 2,693 million kwh (2018: 2,794 million kwh), decreasing by 3.6%. As a result, revenue of Zhongshan Energy Project (including intersegment sales) generated from electricity sales and related operations for the year decreased by 6.0% to HK$1,447,313,000 (2018: HK$1,539,347,000). However, due to reduction in coal price, the profit before tax for the year, excluding net exchange differences and net finance costs, was HK$295,131,000 (2018: HK$185,624,000), an increase of 59.0%.

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 2019, 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 12,485 million kwh (2018: 13,464 million kwh), a decrease of 7.3%. Revenue for the year decreased by 4.6% to HK$5,454,784,000 (2018: HK$5,716,188,000). However, as coal price decreased, the profit before tax of Yudean Jinghai Power for the year was HK$600,823,000 (2018: HK$152,428,000), increasing by 2.9 times. The Group's share of profit in Yudean Jinghai Power amounted to HK$112,178,000 (2018: HK$29,142,000) during the year, increasing by 2.8 times.

Road and Bridge

Xingliu Expressway

廣西粵海高速公路有限公司 (Guangxi GDH Highway Co., Ltd.▲) (formerly known as 廣西新長江高速公路有限責任公司 (Guangxi Xinchangjiang Gonglu Company Limited▲)) ("GDH Highway") is principally engaged in the operation of the Xingliu Expressway. The Xingliu Expressway comprises a main line which is approximately 100 km in length and three connection lines (to Xingye, Guigang and Hengxian) with an aggregate length of approximately 53 km.

The average daily toll traffic flow of the Xingliu Expressway was 24,359 vehicle trips during the year (2018: 22,447 vehicle trips), increasing by 8.5%. The revenue of GDH Highway during the year amounted to HK$754,134,000 (2018: HK$745,300,000), increasing by 1.2%. Profit before tax during the year, excluding net finance costs, amounted to HK$486,467,000 (2018: HK$463,992,000), increasing by 4.8%.

Yinping PPP Project

In 2016, the Company entered into a cooperation agreement with 東莞市謝崗鎮人民政府 (Dongguan City Xiegang Town People's Government) (the "Xiegang Government") in respect of a public-private-partnership project (the "Yinping 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$5.307 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 31 December 2019, three Project Roads (2018: three Project Roads) were under construction. The Accrued Interest Amount and Management Fee of Yuehai Yinping recognised during the year amounted to HK$52,164,000 in total (2018: HK$19,391,000) and profit before tax during the year amounted to HK$39,441,000 (2018: HK$6,602,000).

Potential Business Impacts of Novel Coronavirus (COVID-19) Outbreak

The COVID-19 outbreak has affected various segments of our business. In the property investment and development business segment, the Group expects that there may be a decrease in fair value of our investment properties. The Group is in discussion with various tenants for rental reduction for those whose operations have been adversely affected. With regard to our department store business, the Group's department stores have also experienced reduced foot traffic and sales volume. In the expressway segment, the Ministry of Transport of the PRC issued a new policy on 15 February 2020, waiving toll fees payable by all vehicles nationwide from midnight of 17 February 2020 until the end of the prevention and control period of the COVID-19 outbreak (upon further notice). In the hotel segment, overall demand for accommodation has declined significantly due to the outbreak of COVID-19, which has adversely impacted operations of the Group's hotels.

Though the COVID-19 outbreak has adversely impacted our above businesses, the Group remains in a strong financial position and our core water resources management segment, which has experienced little impact from the outbreak, will provide support for the Group's overall performance in 2020. The Group will implement proactive epidemic prevention measures to ensure the health and safety of our employees and customers. As the full impact and the duration of the outbreak cannot be estimated at this point in time, the Group will closely monitor the situation and continue to assess the impact of the epidemic on the operations and financial performance of the Group.

Financial Assets at Fair Value Through Profit or Loss and Other Financial Assets at Amortised Cost

As at 31 December 2019, the Group held nil balance of financial assets at fair value through profit or loss and other financial assets at amortised cost. As at 31 December 2018, financial assets at fair value through profit or loss and other financial assets at amortised cost amounting to HK$8,997 million in aggregate 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.

Liquidity, Gearing and Financial Resources

As at 31 December 2019, cash and cash equivalents of the Group increased by HK$4,702 million to HK$12,347 million (2018: HK$7,645 million), of which 96.0% was denominated in Renminbi, 3.4% in Hong Kong dollars and 0.6% in United States dollars.

As at 31 December 2019, the Group's financial borrowings decreased by HK$838 million to HK$8,492 million (2018: HK$9,330 million), of which 61.8% was denominated in Hong Kong dollars and 38.2% in Renminbi, including the non-interest-bearing advance of HK$355 million. Of the Group's total financial borrowings, HK$1,535 million was repayable within one year while the remaining balances of HK$6,330 million and HK$627 million were repayable within two to five years and beyond five years from the end of the reporting period, respectively. Furthermore, the interest rate structure of the Group's total financial borrowings consisted of 94.7% floating rate borrowings, 0.6% fixed rate borrowings and 4.7% non-interest bearing borrowings as at 31 December 2019.

The Group maintained a credit facility of HK$1,814 million as at 31 December 2019 (2018: HK$1,071 million). As at 31 December 2019, the Group was in a net cash position and hence no gearing ratio was presented (2018: gearing ratio was 7.0% (i.e. net financial indebtedness/net asset value (excluding non-controlling interests))). The Group was in a healthy debt servicing position as the EBITDA/finance costs incurred as at 31 December 2019 was 26.9 times (2018: 50.1 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 obligation and business requirements.

Pledge of Assets and Contingent Liabilities

As at 31 December 2019, except for (i) bank deposits of HK$43 million (2018: HK$42 million), (ii) completed properties held for sale of HK$1,803 million (2018: HK$3,567 million), (iii) completed investment properties of HK$363 million (2018: HK$412 million), (iv) certain revenue entitlement under the water distribution and sewage treatment concession rights as security for bank and other loans of HK$1,220 million; and (v) 100% equity interest of Guangdong Yuehai Property Development Co., Ltd. at the cost of approximately HK$1,391 million (2018: approximately HK$1,391 million), which were pledged to secure certain bank loans and performance obligations attributable to the Group of certain construction agreements, none of the 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 guarantees made to certain banks in relation to the mortgages of the properties sold of approximately HK$736 million (2018: approximately HK$370 million) and the Group's proportional share of guarantees given to a bank in connection with facilities utilised by an associate of approximately HK$56 million in 2018 as disclosed in note 36 of this report, there was no other material contingent liability as at 31 December 2019 and 2018.

Capital Expenditure

The Group's capital expenditure during the year amounted to HK$3,268 million which was principally related to the development cost for property development projects, construction cost for 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 2019, total Renminbi borrowings amounted to HK$3,245 million (2018: HK$2,800 million). The Group did not use derivative financial instruments to hedge its foreign currency risk.

As at 31 December 2019, the Group's total floating rate borrowings amounted to HK$8,045 million (2018: HK$8,674 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.

Internationally, facing downward pressure, the global economic growth was sluggish, with increasing uncertainties such as China-US trade tension and complex geopolitical shifts. Domestically, the overall economic performance maintained a long-term stable and improving growth trend. However, due to the combined effects of the novel coronavirus outbreak, trade tensions, acceleration of replacement of old growth drivers with new initiatives and Renminbi exchange rate fluctuations, economic fundamentals remain challenging. Macroeconomic development increasingly faces dilemmas such as maintaining growth while attempting further structural adjustment without causing high inflation, which may cause uncertainties in future macroeconomic policies in areas such as fiscal, taxation, credit and exchange rate. Consequently, the Company will closely monitor changes in macroeconomic conditions, capital markets and business operating environments, and provide regular market updates to management according to existing company procedures in order to ensure effective implementation of the Company's development strategies and maintain its corporate competitiveness under such external economic environment.

Foreign Currency Risk

As most of the Company's business operations are located in Mainland China, the Company faces foreign currency risks due to exchange gain/loss from exchange rate fluctuations as well as currency conversion risk due to converted net asset value fluctuations of investment projects in Mainland China. To effectively manage foreign currency risk, the Company closely monitors foreign exchange markets, and utilises multiple strategic approaches, such as optimising cash management strategy and deploying project finance instruments, to contain foreign exchange risk.

Market Competition Risk

As market competition intensifies, the Company faces difficulties in its expansion efforts and further decline in project investment returns in the sectors where it operates. 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 systemise the relevant risk control mechanism so as to establish firmwide standardised risk management procedures. On the other hand, the Company will strengthen production quality control by performing regular safety inspections on its production and operational facilities as a preventive measure, and by seeking market supervision and 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.

Regarding the risks arising from novel coronavirus epidemic, the Group will do its best to prevent and control by establishing and improving relevant management systems to guarantee safe and smooth production in different business segments and effectively minimize the product safety management risk as well as personnel safety management risk that is caused by the novel coronavirus epidemic.

Employee and Remuneration Policy

As at 31 December 2019, the Group had a total of 7,805 employees, of which 1,654 were at the managerial level. Among the employees, 7,563 were employed by subsidiaries in Mainland China and 242 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the year was approximately HK$1,588,566,000 (2018: approximately HK$1,383,240,000).

In 2019, adhering to the people-oriented concept, the Group adhered to the core values of "integrity, professionalism, willingness, honesty and cooperation" as its 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 business 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, discretionary bonus, insurance and fringe benefits. Salary standards are based on factors such as employee qualifications, experience, job duties, performance and market conditions. The discretionary bonus is subject to the performance-based incentive policy.

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.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

Directors

Mr. HOU Wailin, aged 57, was appointed the Chairman and an Executive Director of the Company on 5 June 2019. He retired at the annual general meeting of the Company held on 17 June 2019 ("2019 AGM") pursuant to the Articles of Association of the Company and was forthwith re-appointed the Chairman and an Executive Director of the Company at the Board meeting of the Company immediately held after the 2019 AGM. Mr. Hou graduated from Faculty of Finance of Hunan University, the People's Republic of China ("PRC") (major in Finance) and holds a Bachelor's degree in Economics. Mr. Hou has worked as director-general of Guangdong Regulatory Bureau of the China Securities Regulatory Commission ("CSRC") and the chief inspector of the General Inspection Taskforce of CSRC. He was the chairman of 廣東省粵科金融集團有限公司 (Guangdong Technology Financial Group Co., Ltd.▲) during the period from 2016 to April 2019. Mr. Hou was appointed the Chairman of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited▲) ("Guangdong Holdings") and GDH Limited ("GDH") in May 2019. He was the Chairman and a Non-Executive Director of Guangdong Land Holdings Limited ("GD Land") during the period from June 2019 to February 2020. Guangdong Holdings and GDH are the ultimate controlling shareholder and the immediate controlling shareholder of the Company, respectively. GD Land is a subsidiary of the Company and is listed in Hong Kong.

Mr. WEN Yinheng, aged 42, was appointed an Executive Director and the Managing Director of the Company on 15 November 2012. Mr. Wen holds a Bachelor's degree in Economics from Jinan University, PRC, and a Master of Commerce degree in International Professional Accounting from the University of New South Wales, Australia. From 2003 to 2006, Mr. Wen worked in Guangdong Bureau and Listed Company Supervision Department of CSRC, supervising the merger, acquisition and restructuring activities of listed companies. Between 2006 and 2011, he worked for Dalian Commodity Exchange and held a number of positions including Director of the Surveillance Department. Mr. Wen joined the Company in November 2011 and acted as a Deputy General Manager of the Company from November 2011 till November 2012. He is also a director of Guangdong Water Group (H.K.) Limited, Teem Holdings Limited, Tianjin YueHai Teem Shopping Center Co., Ltd., Guangdong (International) Hotel Management Holdings Limited and 廣東粵海投資財務管理有限公司 (Guangdong Yuehai Investment Financial Management Limited▲), all of which are subsidiaries of the Company.

Mrs. HO LAM Lai Ping, Theresa, aged 64, was appointed an Executive Director of the Company on 30 October 2015. Mrs. Ho is a Fellow of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She graduated from the Hong Kong Polytechnic and has been the Company Secretary of the Company since December 1992. Mrs. Ho was appointed a Deputy General Manager of the Company during the period from September 2011 to November 2012 and has acted as the Executive Deputy General Manager of the Company during the period from November 2012 to January 2020. She was also a Director of the Company for the period from July 1996 to May 2000. She was a Non-Executive Director of Guangdong Tannery Limited ("GD Tannery"). GD Tannery is a subsidiary of GDH and is listed in Hong Kong. Mrs. Ho is also a director of certain subsidiaries of the Company.

Mr. TSANG Hon Nam, aged 50, was appointed an Executive Director and the Chief Financial Officer of the Company on 17 April 2008. Mr. Tsang graduated from The Chinese University of Hong Kong and holds a Bachelor's degree in Science. He is an Associate of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. Mr. Tsang acted as an Executive Director and the Chief Financial Officer of Guangnan (Holdings) Limited ("Guangnan Holdings") during the period from February 2004 to April 2008. Guangnan Holdings is a subsidiary of GDH and is listed in Hong Kong. Before joining Guangnan Holdings, he was the Deputy General Manager of the Finance Department of GDH and had also worked for Guangdong Enterprises (Holdings) Limited. He is also a director of certain subsidiaries of the Company.

Mr. CAI Yong, aged 54, was appointed a Non-Executive Director of the Company on 25 August 2016. Mr. Cai holds a Master's degree in Business Administration from the South China University of Technology, PRC. Between 1991 and 2016, he worked for a number of departments of the People's Government of Guangdong Province in various positions including Deputy Director of the Economic and Trade Commission, Deputy Director of the Economic and Information Commission and Deputy Director of Department of Commerce. Mr. Cai was appointed a Director and the General Manager of Guangdong Holdings in January 2016. He was appointed an Executive Director and the General Manager of GDH in May 2016 and was re-designated from Executive Director to Director in June 2019.

Ms. ZHAO Chunxiao, aged 50, was appointed a Non-Executive Director of the Company on 30 August 2011. Ms. Zhao graduated from Liaoning Normal University, PRC (Faculty of Chinese Studies) and the School of China Journalism and Communication (major in Domestic News) and obtained two Bachelor's degrees. She also holds a degree of Executive Master of Business Administration from The Hong Kong University of Science and Technology. From 1994 to 2002, she worked for the Guangdong Branch of Xinhua News Agency as Director of the Finance Office and also Director of the Featured News Division. Between 2003 and 2008, she held a number of positions in Asia Television Limited (Hong Kong) including Director of Information Division of News and Public Relations Department and Assistant Vice President. Ms. Zhao joined GDH and Guangdong Holdings in December 2008 and January 2009, respectively, and holds various positions. She previously acted as the Chief Administration Officer of Guangdong Holdings and an Executive Director, the Chief Administration Officer and the Company Secretary of GDH. She is currently a Deputy General Manager of Guangdong Holdings and GDH. Ms. Zhao has also previously acted as an Executive Director of GD Land during the period from December 2014 to February 2020 and the Chief Executive Officer of GD Land during the period from August 2016 to February 2020.

Mr. LAN Runing, aged 51, was appointed a Non-Executive Director of the Company on 12 January 2015. Mr. Lan graduated from Sun Yat-Sen University, PRC and obtained a Bachelor's degree in Philosophy. He also obtained a Master's degree in Business Management from South China University of Technology, PRC. From 1996 to 2008, he held a number of positions at the General Office of Communist Party of China ("CPC") Guangdong Provincial Committee. Between 2008 and 2014, he worked as the Director of Personnel Affairs (4th Division) of CPC Guangdong Provincial Committee's Organisation Department. Mr. Lan was appointed a Deputy General Manager of Guangdong Holdings and GDH in April 2014 and June 2019, respectively. He acted as an Executive Director of GDH from May 2014 to June 2019.

Mr. LI Wai Keung, aged 63, was appointed a Non-Executive Director of the Company on 30 May 2000. He acted as an Executive Director and the Chief Financial Officer of the Company from 19 July 2006 to 16 April 2008 and was re-designated as a Non-Executive Director of the Company on 17 April 2008. Mr. Li graduated from the Hong Kong Polytechnic and holds a Master's degree in Business Administration from the University of East Asia. He is a Fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a standing committee member of the Chinese People's Political Consultative Conference Guangdong Provincial Committee. Mr. Li had worked for Henderson Land Development Company Limited. He has acted as an Executive Director of GDH for the period from August 2000 to June 2019, a Director of 永順泰麥芽(中國)有限公司 (Supertime Malting Company Limited▲) ("Supertime") until November 2019 and a Director of GDH Finance Co., Ltd. ("GDH Finance") until December 2019. Supertime is a subsidiary of GDH and GDH Finance is a subsidiary of Guangdong Holdings. Mr. Li has acted as a Non-Executive Director of GD Land during the period from October 2011 to March 2012 and then an Executive Director between March 2012 and February 2020. He has also been the Company Secretary of GD Land during the period from March 2017 to February 2020. He has also served as the Chief Financial Officer of Guangdong Holdings and GDH. Mr. Li is an Independent Non-Executive Director of Shenzhen Investment Limited, Hans Energy Company Limited, China South City Holdings Limited and Centenary United Holdings Limited (these four companies are listed in Hong Kong). Mr. Li is an Advisor to the Management Accounting of the Ministry of Finance, PRC, the Chairman of the Council of the Hong Kong Chinese Orchestra Limited, a Director of the China Overseas Friendship Association, the Vice Chairman and Secretary of the Financial and Accounting Affairs Steering Committee of the Hong Kong Chinese Enterprises Association and a director and the Honorary President of the Hong Kong Business Accountants Association. He is also a director of certain subsidiaries of the Company.

Dr. CHAN Cho Chak, John, *GBS, JP*, aged 76, was appointed an Independent Non-Executive Director of the Company on 25 June 1998.

Dr. Chan is also Deputy Chairman and Independent Non-Executive Director of Transport International Holdings Limited and an Independent Non-Executive Director of Hang Seng Bank Limited, both being public listed companies in Hong Kong. He is also a Non-Executive Director of The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited. Dr. Chan is Chairman of the Court of The Hong Kong University of Science and Technology and Chairman and Non-Executive Director of Hong Kong News-Expo Limited. He is also a Board Member of The Community Chest of Hong Kong and a member of its Executive Committee.

Dr. Chan was educated in Hong Kong and graduated from The University of Hong Kong in 1964 with an Honours Degree in English Literature. He later obtained a Diploma in Management Studies from the same university following the completion of evening studies. He was awarded the degree of Doctor of Business Administration (honoris causa) by the International Management Centres in October 1997 and the degree of Doctor of Social Sciences (honoris causa) by The Hong Kong University of Science and Technology in November 2009, The University of Hong Kong in March 2011 and Lingnan University in November 2012.

Dr. Chan served in the Hong Kong Government for two periods: from 1964 to 1978 and from 1980 to 1993. Initially appointed as an Executive Officer Class II, he rose through the ranks of the civil service to become one of the Cabinet-level Policy Secretaries of the Government. Among the key posts he held over the years were those of Private Secretary to the Governor, Deputy Secretary (General Duties), Director of Information Services, Deputy Chief Secretary, Secretary for Trade and Industry and Secretary for Education and Manpower. He also served as a Member of the Executive Council from October 1992 to May 1993.

Dr. Chan was also the Executive Director and General Manager of Sun Hung Kai Finance Company Limited from 1978 to 1980, the Managing Director of The Kowloon Motor Bus Company (1933) Limited from 1993 to 2006, the Managing Director of Transport International Holdings Limited from 1997 to April 2008 and the Chairman of The Hong Kong Jockey Club from 2006 to August 2010. He was a Director of Swire Properties Limited from April 2010 to March 2017 during which he acted as an Independent Non-Executive Director from December 2011 to March 2017. Dr. Chan was also the Chairman and a Non-Executive Director of RoadShow Holdings Limited (now known as Bison Finance Group Limited) from January 2001 to December 2017.

Dr. Chan was appointed as a Justice of the Peace (JP) in 1994 and was awarded the Gold Bauhinia Star (GBS) in 1999.

Dr. the Honourable LI Kwok Po, David, *GBM, GBS, OBE, JP, MA Cantab. (Economics & Law), Hon. LLD (Cantab), Hon. DSc. (Imperial), Hon. LLD (Warwick), Hon. DBA (Edinburgh Napier), Hon. D.Hum.Litt. (Trinity, USA), Hon. LLD (Hong Kong), Hon. DSocSc (Lingnan), Hon. DLitt (Macquarie), Hon. DSocSc (CUHK), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, Officier de l'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Commandeur dans l'Ordre National de la Légion d'Honneur*, aged 81, was appointed an Independent Non-Executive Director of the Company on 25 June 1998.

Dr. Li is the Executive Chairman of The Bank of East Asia, Limited. He is an Independent Non-Executive Director of The Hong Kong and China Gas Company Limited, The Hongkong and Shanghai Hotels, Limited, San Miguel Brewery Hong Kong Limited and Vitasoy International Holdings Limited. All of the above companies are public listed companies in Hong Kong. He was an Independent Non-Executive Director of PCCW Limited.

Dr. Li is a Member of the Council of the Treasury Markets Association. He is Founding Chairman of The Friends of Cambridge University in Hong Kong Limited, Chairman of the Advisory Board of The Salvation Army, Hong Kong and Macau Command, Chairman of the Executive Committee of St. James' Settlement and a Fellow of the Hong Kong Academy of Finance. He was a Member of the Executive Council of Hong Kong from 2005 to 2008 and the Legislative Council of Hong Kong from 1985 to 2012.

Mr. FUNG Daniel Richard, *SBS, QC, SC, JP*, aged 66, was appointed an Independent Non-Executive Director of the Company on 3 January 2000.

Mr. Fung is Senior Counsel of the Hong Kong Bar. Called to the English Bar at Middle Temple in 1975 and admitted to the Hong Kong Bar in 1977, Mr. Fung has been in continuous practice for over four decades, achieving in 1990 appointment as Queen's Counsel. In 1994, Mr. Fung became the first person of Chinese extraction to serve as Solicitor General of Hong Kong, a position he occupied for four years, becoming in 1997 the first Solicitor General of the Hong Kong Special Administrative Region of the PRC. In 1998, Mr. Fung left public office to take up successive appointments as Visiting Scholar at Harvard Law School (1998-1999) and Senior Visiting Fellow at Yale Law School (1999).

Mr. Fung is currently serving on his fourth consecutive term as a National Delegate to the Chinese People's Political Consultative Conference. He is Founding Chair of Cambridge Global Conversations, Chairman of the United Nations Peace & Development Foundation, President of the International Law Association (ILA) Hong Kong Chapter, Chairman of the Board of International Bridges to Justice (IBJ), Advisory Board Member of Global Thinkers Forum (GTF), Vice Chairman of the American Renewable Energy Institute (AREI), Senior Fellow of the Salzburg Global Seminar (SGS), Vice-President of the Academy of Experts, Member of the Board of Governors of the East West Center (EWC), Advisory Committee Member of the American Bar Association/United Nations Development Program (UNDP) Legal Resource Unit, Council Member of China Law Society (CLS), Founding Governor of the China-US Exchange Foundation, Member of the Hengqin New Area Development Consultative Committee, Chairman of Social Sciences Advisory Board of Lingnan University, Honorary Lecturer in the Department of Professional Legal Education of The University of Hong Kong, Fellow of the Chartered Institute of Arbitrators and Arbitrator of the China International Economic and Trade Arbitration Commission (CIETAC).

Mr. Fung served as Chairman of the Broadcasting Authority (2002-2008), Member of the World Bank International Advisory Council on Law and Justice (1999-2005), a member of the Hong Kong Government's Strategic Development Commission (2006-2012), a non-executive director of Securities & Futures Commission (1998-2004), a board member of the Airport Authority Hong Kong (1999-2005), a member of the Basic Law Consultative Committee (1985-1990) and the Central Policy Unit of the Hong Kong Government (1993-1994) respectively, Distinguished Fulbright Scholar for Hong Kong in the Year 2000, Adjunct Professor of City University of Hong Kong (2005-2017), International Consultant to the UNDP on Corporate Governance in the PRC, Special Advisor to the UNDP on the Rule of Law Development Program in Cambodia and in Laos (2000-2002), Council Member of International Institute for Strategic Studies (IISS) (2004-2012), member of the World Economic Forum Global Agenda Council (2009-2013) and Arbitrator of the Shanghai International Economic and Trade Arbitration Commission (2012-2018).

In 2003, Mr. Fung was awarded the Silver Bauhinia Star for services to constitutional development in Hong Kong and made a Justice of the Peace in 2004. In 2011, Mr. Fung was honored by UNDP in recognition of his contribution to the work of UNDP China and the United Nations Millennium Development Goals.

Dr. the Honourable CHENG Mo Chi, Moses, *GBM, GBS, OBE, JP*, aged 70, was appointed an Independent Non-Executive Director of the Company on 25 November 1999 and was re-designated as a Non-Executive Director of the Company on 13 October 2004. He was further re-designated as an Independent Non-Executive Director of the Company on 15 November 2012.

Dr. Cheng is a practising solicitor and a consultant of Messrs. P.C. Woo & Co. after serving as its senior partner from 1994 to 2015. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is the Founder Chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Dr. Cheng is also Chairman of the Insurance Authority, a member of the Financial Leaders Forum of the Hong Kong Government and a Director and fellow of the Hong Kong Academy of Finance. Dr. Cheng currently holds directorships in China Mobile Limited, China Resources Beer (Holdings) Company Limited, K. Wah International Holdings Limited, Liu Chong Hing Investment Limited, The Hong Kong and China Gas Company Limited, Tian An China Investments Company Limited and Towngas China Company Limited, all being public listed companies in Hong Kong. Dr. Cheng was a Non-Executive Director of Kader Holdings Company Limited, a public listed company in Hong Kong, and an Independent Non-Executive Director of ARA Asset Management Limited whose shares were formerly listed on Singapore Exchange Limited.

Mr. WU Ting Yuk, Anthony, *Standing Committee Member, Chinese People's Political Consultative Conference National Committee, GBS, JP,* aged 65, was appointed an Independent Non-Executive Director of the Company on 25 August 2012. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and an Honorary Fellow of the Hong Kong College of Community Medicine. He is a Council Member of the Hong Kong General Chamber of Commerce, a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development, a trustee of The Society for the Aid and Rehabilitation of Drug Abusers, a member of the State Council's Medical Reform Leadership Advisory Committee, PRC, a member of the Public Policy Advisory Committee and Advisor of National Health Commission, PRC, the Principal Advisor to the State Administration of Traditional Chinese Medicine, PRC, a member of the Chinese Medicine Reform and Development Advisory Committee, PRC, the Chairman of the China Oxford Scholarship Fund, an Honorary Professor of Faculty of Medicine of The Chinese University of Hong Kong and the Peking Union Medical College Hospital and the Honorary Chairman of the Institute of Certified Management Accountants, Australia (Hong Kong Branch). He also acts as the Chief Advisor to MUFG Bank, Ltd. Mr. Wu is the Chairman and an Independent Non-Executive Director of China Resources Medical Holdings Company Limited, a public listed company in Hong Kong. He is also an Independent Non-Executive Director of China Taiping Insurance Holdings Company Limited, Power Assets Holdings Limited, CStone Pharmaceuticals and Venus Medtech (Hangzhou) Inc., all being public listed companies in Hong Kong. Mr. Wu was formerly the Chairman of the Hong Kong General Chamber of Commerce, the Bauhinia Foundation Research Centre and the Hong Kong Hospital Authority and a member of the Task Force on Land Supply. He was also the Deputy Chairman and Executive Director of Sincere Watch (Hong Kong) Limited and an Independent Non-Executive Director of Fidelity Funds and Agricultural Bank of China Limited.

Mr. Wu was appointed as Justice of the Peace in 2004 and was awarded the honour of the Gold Bauhinia Star in 2008.

Senior Management

The senior management of the Group comprises the Executive Directors above, namely, Mr. Hou Wailin, Mr. Wen Yinheng, Mrs. Ho Lam Lai Ping, Theresa and Mr. Tsang Hon Nam.

DIRECTORS' REPORT

The directors (the "Directors") of Guangdong Investment Limited (the "Company") herein present their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2019.

Principal Activities

The Group was principally engaged in investment holding, water resources, property investment and development, department store operation, hotel ownership, operation and management, investment in energy projects and road and bridge operation. Details of the principal activities of the principal subsidiaries and associates are set out in notes 1 and 17 to the financial statements, respectively.

Results and Dividends

The results of the Group for the year ended 31 December 2019 and the Group's financial position as at that date are set out in the financial statements on pages 60 and 62 to 63.

An interim dividend of HK 17.3 cents (2018: HK 16.0 cents) per ordinary share was paid on 24 October 2019. The board of Directors (the "Board") has resolved to recommend the payment of a final dividend of HK 40.5 cents (2018: HK 37.5 cents) per ordinary share for the year ended 31 December 2019.

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Friday, 12 June 2020 (the "2020 AGM"), is expected to be paid on or about Thursday, 30 July 2020 to shareholders whose names appear on the register of members of the Company on Friday, 19 June 2020.

In order to qualify for attending and voting at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 8 June 2020.

The register of members of the Company will be closed on Friday, 19 June 2020 for the purpose of determining shareholders' entitlement to the proposed final dividend. On that day, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Tengis Limited at the above address not later than 4:30 p.m. on Thursday, 18 June 2020.

Business Review

A review of the business of the Group during the year, a discussion on the Group's future business development and principal risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 14 and 15 and Management Discussion and Analysis on pages 16 to 26 of this Annual Report. Details of the significant event of the Group after the end of the reporting period are set out in the Management Discussion and Analysis under "Potential Business Impacts of Novel Coronavirus (COVID-19) Outbreak" section on page 24 and note 45 to the financial statements on page 186 of this Annual Report. The financial risk management objectives and policies of the Group are shown in note 43 to the financial statements on pages 179 to 183 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on pages 6 to 13 of this Annual Report. Discussion on the Group's environmental issues and compliance with the relevant laws and regulations that have a significant impact on the Company are contained in the Corporate Governance Report on pages 43 to 54 of this Annual Report. The Company's key relationships with its employees, customers and suppliers and business associates that have a significant impact on the Company and on which the Company's success depends are shown in the Management Discussion and Analysis under "Employee and Remuneration Policy" section on page 26, and in the Corporate Governance Report on pages 43 to 54 of this Annual Report. The above discussion and analysis forms part of this Directors' Report.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years extracted from the audited financial statements is set out below:

Results

	Year ended 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
REVENUE	**16,691,209**	13,363,600	12,168,839	10,464,202	9,171,959
PROFIT FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	**7,268,493**	6,758,049	7,519,212	5,573,025	4,921,169
Share of profits less losses of associates	**212,930**	136,597	101,553	179,005	325,079
PROFIT BEFORE TAX	**7,481,423**	6,894,646	7,620,765	5,752,030	5,246,248
INCOME TAX EXPENSE	**(1,835,040)**	(1,393,558)	(1,617,111)	(1,099,632)	(956,949)
PROFIT BEFORE NON-CONTROLLING INTERESTS	**5,646,383**	5,501,088	6,003,654	4,652,398	4,289,299
Non-controlling interests	**(602,013)**	(485,969)	(318,283)	(440,361)	(384,022)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**5,044,370**	5,015,119	5,685,371	4,212,037	3,905,277

Assets, liabilities and non-controlling interests

	As at 31 December				
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
PROPERTY, PLANT AND EQUIPMENT	**6,848,039**	7,017,886	7,484,561	6,691,743	7,083,391
INVESTMENT PROPERTIES	**18,177,573**	16,949,174	16,037,772	12,561,194	12,326,764
PREPAID LAND LEASE PAYMENTS	**–**	306,824	275,582	264,498	295,013
RIGHT-OF-USE ASSETS	**586,680**	–	–	–	–
GOODWILL	**574,242**	301,883	303,605	301,150	303,521
INVESTMENTS IN ASSOCIATES	**4,136,983**	3,676,701	3,679,684	1,716,163	1,892,870
OPERATING CONCESSION RIGHTS	**13,889,229**	13,047,462	14,113,313	14,140,407	15,218,717
RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS	**4,564,949**	1,464,719	934,765	427,536	447,214
RECEIVABLES UNDER A COOPERATIVE ARRANGEMENT	**1,151,590**	414,701	–	–	–
PROPERTIES HELD FOR SALE UNDER DEVELOPMENT	**6,624,204**	5,831,502	5,748,595	–	–
COMPLETED PROPERTIES HELD FOR SALE	**3,980,357**	5,053,081	417,595	–	–
OTHER ASSETS	**15,504,700**	18,866,492	17,384,809	15,966,159	16,495,774
DEFERRED TAX ASSETS	**385,948**	252,019	158,733	61,507	46,726
TOTAL ASSETS	**76,424,494**	73,182,444	66,539,014	52,130,357	54,109,990
OTHER LOANS AND LIABILITIES	**(19,547,782)**	(17,449,731)	(12,526,900)	(11,377,811)	(14,106,348)
DEFERRED TAX LIABILITIES	**(6,183,719)**	(6,272,264)	(4,848,546)	(2,513,860)	(2,736,217)
TOTAL LIABILITIES	**(25,731,501)**	(23,721,995)	(17,375,446)	(13,891,671)	(16,842,565)
NON-CONTROLLING INTERESTS	**(9,536,626)**	(9,088,194)	(8,949,109)	(6,016,718)	(5,795,281)
TOTAL EQUITY	**50,692,993**	49,460,449	49,163,568	38,238,686	37,267,425

Major Properties

Details of the major properties held by the Group as at 31 December 2019 are set out on pages 187 and 188 of this Annual Report.

Equity-Linked Agreements

No equity-linked agreement was entered into by the Company or was subsisting at the end of the year or at any time during the year.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2019, calculated under the provisions of sections 291, 297 and 299 of the Hong Kong Companies Ordinance, amounted to HK$3,846,282,000 (2018: HK$2,802,919,000).

Donations

The donations made by the Group during the year amounted to HK$182,000 (2018: HK$531,000).

Arrangement to Acquire Shares or Debentures

At no time during the year was the Company or the Company's subsidiary or parent company or a subsidiary of the Company's parent company a party to any arrangements to enable Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors

The Directors of the Company during the year and up to the date of this report are:

Executive Directors
Hou Wailin *(Chairman)**
Wen Yinheng *(Managing Director)*
Ho Lam Lai Ping, Theresa *(Company Secretary)*
Tsang Hon Nam *(Chief Financial Officer)*

Huang Xiaofeng** *(Chairman, up to 4 June 2019)*

Non-Executive Directors
Cai Yong
Zhao Chunxiao
Lan Runing
Li Wai Keung

Zhang Hui (retired on 17 June 2019)

Independent Non-Executive Directors
Chan Cho Chak, John
Li Kwok Po, David
Fung Daniel Richard
Cheng Mo Chi, Moses
Wu Ting Yuk, Anthony

* *Mr. Hou Wailin was appointed an Executive Director and Chairman of the Board on 5 June 2019. He retired at the conclusion of the annual general meeting of the Company held on 17 June 2019 ("2019 AGM") and was re-appointed an Executive Director and the Chairman of the Board effective upon the passing of the relevant resolution at the Board meeting of the Company held immediately after the 2019 AGM on 17 June 2019.*

** *Mr. Huang Xiaofeng resigned as Executive Director of the Company and ceased to be Chairman of the Board on 5 June 2019.*

Directors (Continued)

At the Board Meeting of the Company held on 27 March 2020 (the "Board Meeting"), the Board accepted the resignation of Mrs. Ho Lam Lai Ping, Theresa and Mr. Li Wai Keung, who are retiring from the Board having reached their retirement age. At the Board Meeting, the Board also approved the appointment of Mr. Lin Tiejun as an Executive Director and Vice Chairman of the Board. All of the aforementioned changes in Board composition will take effect from 28 March 2020.

In accordance with Articles 77 to 79 of the Company's Articles of Association, Mr. Tsang Hon Nam, Ms. Zhao Chunxiao, Mr. Fung Daniel Richard and Dr. Cheng Mo Chi, Moses will retire by rotation at the 2020 AGM and shall be eligible for re-election.

In accordance with Article 73 of the Company's Articles of Association, Mr. Hou Wailin and Mr. Lin Tiejun will hold office until the 2020 AGM and shall be eligible for re-election.

Mr. Hou Wailin, Mr. Lin Tiejun, Mr. Tsang Hon Nam, Ms. Zhao Chunxiao, Mr. Fung Daniel Richard and Dr. Cheng Mo Chi, Moses, being eligible, have offered themselves for re-election and if re-elected, will hold office from the date of re-election to the earlier of (i) the conclusion of the annual general meeting of the Company to be held in 2023, and (ii) 30 June 2023, subject to earlier determination in accordance with the Articles of Association of the Company and/or any applicable laws and regulations.

As Mr. Huang Xiaofeng and Mr. Zhang Hui have reached their retirement age, Mr. Huang resigned as Executive Director of the Company on 5 June 2019 and Mr. Zhang retired from office after the conclusion of the 2019 AGM on 17 June 2019.

Directors of Subsidiaries

The list of directors who have served on the boards of the subsidiaries of the Company included in the consolidated financial statements during the year ended 31 December 2019 and up to the date of this report is kept at the Company's registered office and is available for inspection by the members of the Company free of charge during business hours.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2020 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Material Interests in Transactions, Arrangements or Contracts

Mr. Hou Wailin, Mr. Cai Yong and Mr. Huang Xiaofeng are/were directors of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited▲) ("Guangdong Holdings") (the Company's ultimate holding company) and GDH Limited ("GDH") (the Company's immediate holding company). Mr. Zhang Hui, Ms. Zhao Chunxiao, Mr. Lan Runing and Mr. Li Wai Keung were directors of GDH. They were deemed to be interested in the connected transactions or continuing connected transactions described in the section headed "Connected Transactions" in note 39 to the financial statements, as the case may be.

Save as disclosed above, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Permitted Indemnity Provision

Indemnity provision within the meaning of permitted indemnity provision under the Hong Kong Companies Ordinance for the benefit of the Directors of the Company is currently in force and was in force throughout the year ended 31 December 2019. In addition, the Company has taken out and kept in force appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company and its subsidiaries.

Directors' Interests in Competing Businesses

The interests of Directors in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (the "Competing Business") as required to be disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year and up to the date of this report are as follows:

1. *Core Business Activities of the Group*

(1) Water resources
(2) Property investment and development
(3) Department store operation
(4) Hotel ownership and operation
(5) Hotel management
(6) Investments in energy projects
(7) Road and bridge operation

2. *Interests in Competing Businesses*

Name of Director	Name of Company	Nature of Interests	Competing Business
Hou Wailin *(Note 1)*	Guangdong Holdings	Chairman	(1), (2) & (4)
	GDH	Chairman	(1), (2) & (4)
Cai Yong *(Note 2)*	Guangdong Holdings	Director & General Manager	(1), (2) & (4)
	GDH	Executive Director/Director & General Manager	(1), (2) & (4)
Zhao Chunxiao *(Note 3)*	GDH	Executive Director	(1), (2) & (4)
Lan Runing *(Note 4)*	GDH	Executive Director	(1), (2) & (4)
Li Wai Keung *(Note 5)*	GDH	Executive Director	(1), (2) & (4)
Huang Xiaofeng *(Note 6)*	Guangdong Holdings	Chairman	(1), (2) & (4)
	GDH	Chairman	(1), (2) & (4)
Zhang Hui *(Note 7)*	GDH	Executive Director	(1), (2) & (4)

Notes:

1. *Mr. Hou Wailin was appointed an Executive Director of the Company and Chairman of the Board on 5 June 2019.*

2. *Mr. Cai Yong was re-designated from the position of Executive Director to Director of GDH on 27 June 2019.*

3. *Ms.Zhao Chunxiao ceased to be an Executive Director of GDH with effect from 27 June 2019.*

4. *Mr. Lan Runing ceased to be an Executive Director of GDH with effect from 27 June 2019.*

5. *Mr. Li Wai Keung ceased to be an Executive Director of GDH with effect from 27 June 2019.*

6. *Mr. Huang Xiaofeng ceased to be the Chairman and Executive Director of Guangdong Holdings and GDH with effect from 24 May 2019. He also resigned as Executive Director of the Company and ceased to be the Chairman of the Board with effect from 5 June 2019.*

7. *Mr. Zhang Hui ceased to be an Executive Director of GDH with effect from 13 March 2019. He also retired as a Non-Executive Director of the Company on 17 June 2019.*

For safeguarding the interest of the Group, the Independent Non-Executive Directors of the Company and the Audit Committee review the financial and operational results of the Group from time to time as appropriate so that the Group is capable of carrying on its businesses independently, and at arm's length from those of Guangdong Holdings and GDH.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Directors' Interests and Short Positions in Securities

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Interests and short positions in the Company

Interests in ordinary shares

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held *(Note)*
Ho Lam Lai Ping, Theresa	Personal	379,200	Long position	0.006%
Zhao Chunxiao	Personal	582,170	Long position	0.009%
Li Wai Keung	Personal	1,927,160	Long position	0.029%
Chan Cho Chak, John	Personal	5,450,000	Long position	0.083%
Li Kwok Po, David	Personal	25,000,000	Long position	0.382%
Cheng Mo Chi, Moses	Personal	2,268,000	Long position	0.035%

Note: The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary shares of the Company in issue as at 31 December 2019.

Interests and short positions in Guangdong Land Holdings Limited

Interests in ordinary shares

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held *(Note)*
Ho Lam Lai Ping, Theresa	Personal	398,000	Long position	0.023%
Cheng Mo Chi, Moses	Personal	600,000	Long position	0.035%

Note: The approximate percentage of interests held was calculated on the basis of 1,711,536,850 ordinary shares of Guangdong Land Holdings Limited in issue as at 31 December 2019.

Interests and short positions in Guangnan (Holdings) Limited

Interests in ordinary shares

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held *(Note)*
Tsang Hon Nam	Personal	300,000	Long position	0.033%
Li Kwok Po, David	Personal	15,000	Long position	0.002%

Note: The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary shares of Guangnan (Holdings) Limited in issue as at 31 December 2019.

Directors' Interests and Short Positions in Securities (Continued)

Interests and short positions in Guangdong Tannery Limited

Interests in ordinary shares

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held *(Note)*
Ho Lam Lai Ping, Theresa	Personal	200,000	Long position	0.037%

Note: *The approximate percentage of interests held was calculated on the basis of 538,019,000 ordinary shares of Guangdong Tannery Limited in issue as at 31 December 2019.*

Save as disclosed above, as at 31 December 2019, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests

As at 31 December 2019, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short Position	Approximate percentage of interests held *(Note 1)*
Guangdong Holdings *(Note 2)*	Interest in controlled corporation	3,693,453,546	Long position	56.49%
GDH *(Note 3)*	Beneficial owner/Interest in controlled corporation	3,693,453,546	Long position	56.49%
Guangdong Trust Ltd.	Beneficial owner/Interest in controlled corporation	576,404,918	Long position	8.82%

Notes:

1. *The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary shares of the Company in issue as at 31 December 2019.*
2. *The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.*
3. *The interests of GDH set out above include attributable interest held through its wholly-owned subsidiary, Guangdong Trust Ltd.*

Save as disclosed above, as at 31 December 2019, no other person (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Significant Contract with Controlling Shareholders

Save as disclosed in notes 38 and 39 to the financial statements, the Group and the controlling shareholders of the Company had not entered into any contract of significance during the year.

Connected Transactions

Details of the connected transactions and continuing connected transactions that are not exempt from annual reporting requirement in Chapter 14A of the Listing Rules, are disclosed in note 39 to the financial statements.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 38 to the financial statements. The transactions described in note 38(b) (notes (ii) to (iv)) to the financial statements constitute connected transactions and the transactions described in notes 38(a) (notes (i) to (iii), (vii) and (ix)) and 38(d) (note (v)) to the financial statements constitute continuing connected transactions discloseable under the Listing Rules, the details of which are disclosed in note 39 to the financial statements. In respect of these transactions, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. The transactions described in notes 38(a) (note (x)) and 38(d) (note (vi)) to the financial statements constitute fully exempt connected transactions under the Listing Rules and the transactions described in note 38(a) (notes (v), (vi), (viii) and (xi)) to the financial statements constitute fully exempt continuing connected transactions under the Listing Rules. None of the remaining related party transactions as disclosed in note 38 to the financial statements is subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange.

Major Customers and Suppliers

During the year under review, sales to the Group's five largest customers accounted for 45% of the total revenue for the year and sales to the Group's largest customer included therein amounted to 29%. Purchases from the Group's five largest suppliers accounted for 27% of the total purchases for the year and purchases from the Group's largest supplier included therein amounted to 13%.

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had any interest in the Group's five largest customers and suppliers.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Disclosure under Rule 13.21 of the Listing Rules

Facility Agreement dated 21 June 2018

Pursuant to a facility agreement (the "GDI June 2018 Facility Agreement") entered into between the Company and a bank on 21 June 2018 in relation to a three-year term loan facility (the "GDI June 2018 Facility") in the principal amount of HK$2,000 million made available by the bank to the Company, among others, it shall be an event of default if:

(i) GDH ceases to beneficially own, directly or indirectly, at least 51% of the shareholding in the Company; and

(ii) the Guangdong Provincial People's Government of the People's Republic of China (the "Guangdong Provincial Government") ceases to beneficially own, directly or indirectly, 100% of the shareholding in GDH.

If an event of default under the GDI June 2018 Facility Agreement occurs, the bank may by notice to the Company:

(i) cancel the GDI June 2018 Facility whereupon they shall immediately be cancelled;

(ii) declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the GDI June 2018 Facility Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or

(iii) declare that all or part of the loans be payable on demand, whereupon they shall immediately become payable on demand by the bank.

The outstanding principal of the GDI June 2018 Facility as at 31 December 2019 amounted to HK$2,000 million.

Facility Agreement dated 3 July 2018

Pursuant to a facility agreement (the "GDI July 2018 Facility Agreement") entered into between the Company and a bank on 3 July 2018 in relation to a three-year term loan facility (the "GDI July 2018 Facility") in the principal amount of HK$3,070 million made available by the bank to the Company, among others, it shall be an event of default if:

(i) GDH ceases to beneficially own, directly and/or indirectly, at least 51% of the shareholding in the Company; and

(ii) the Guangdong Provincial Government ceases to beneficially own, directly and/or indirectly, 100% of the shareholding in GDH.

If an event of default under the GDI July 2018 Facility Agreement occurs, the bank may by notice to the Company:

(i) cancel the GDI July 2018 Facility whereupon they shall immediately be cancelled;

(ii) declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the GDI July 2018 Facility Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or

(iii) declare that all or part of the loans be payable on demand, whereupon they shall immediately become payable on demand by the bank.

The outstanding principal of the GDI July 2018 Facility as at 31 December 2019 amounted to HK$3,070 million.

Changes in Directors' Information

The changes in Directors' information are set out below:

(i) Mr. Hou Wailin ceased to be the Chairman and a Non-Executive Director of Guangdong Land Holdings Limited ("GD Land") with effect from 20 February 2020.

(ii) Mr. Wen Yinheng ceased to be a Director of 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited▲) (formerly known as 廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited▲)), a subsidiary of the Company, with effect from 18 December 2019.

(iii) Mrs. Ho Lam Lai Ping, Theresa ceased to be the Executive Deputy General Manager of the Company with effect from 16 January 2020.

(iv) Ms. Zhao Chunxiao ceased to be the Company Secretary of GDH with effect from 4 November 2019. She also ceased to be an Executive Director and the Chief Executive Officer of GD Land with effect from 20 February 2020.

(v) Mr. Li Wai Keung is an Independent Non-Executive Director of Centenary United Holdings Limited, which was listed on the Hong Kong Stock Exchange on 18 October 2019.

Mr. Li ceased to be a Director of 永順泰麥芽(中國)有限公司 (Supertime Malting Company Limited▲), a subsidiary of GDH, with effect from 27 November 2019.

Mr. Li ceased to be the Chief Financial Officer of Guangdong Holdings and GDH and a Director of GDH Finance Co., Ltd. (a subsidiary of Guangdong Holdings) all with effect from 31 December 2019.

Mr. Li also ceased to be an Executive Director and the Company Secretary of GD Land with effect from 20 February 2020.

(vi) Mr. Wu Ting Yuk, Anthony is an Independent Non-Executive Director of Venus Medtech (Hangzhou) Inc., which was listed on the Hong Kong Stock Exchange on 10 December 2019.

Save for the above changes in Directors' information, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Auditor

The consolidated financial statements now presented have been audited by Ernst & Young, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2020 AGM for the re-appointment of Ernst & Young as the independent auditor of the Company.

By Order of the Board
HOU Wailin
Chairman

Hong Kong, 27 March 2020

CORPORATE GOVERNANCE REPORT

Business Model and Development Strategies

The principal businesses of the Group include investment holding, water resources, property investment and development, department store operation, hotel ownership, operation and management, investment in energy projects and road and bridge operation. The Group is committed to consolidating the operational development of its existing businesses and expanding its core businesses in order to generate continuous and steady investment returns for shareholders. Through optimising asset portfolio, strengthening capital management, enhancing management standard and corporate governance, further fortifying competitive strengths and enhancing the market influence of the Group, they stand to provide strong support for the enterprise's long-term, steady and sustainable development.

In line with its strategic development plan, the Group will continue with its investments in water resources management, property investment and development as well as infrastructure segment in a proactive and prudent manner. The Group continues to actively explore market investment opportunities in areas such as untreated water and urban water supply, sewage treatment and integrated water environment management. The Group will fasten the pace of project acquisitions and development of new business in an effort to further expand its scale, while continuing to optimize its asset structure and facilitate further business integration.

Faced with the trend of globalization, the Group will continue to capitalize on Hong Kong's status as an international financial centre, improve its capital utilization efficiency, strengthen its capital management capabilities and foster effective value enhancement of capital. Meanwhile, the Group will optimize its human resources operations and further improve the professionalism of its management. The Group will step up its efforts in strengthening corporate culture and enhance corporate core competencies.

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 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 "Directors"), the Company had complied with the code provisions set out in the CG Code for the year ended 31 December 2019 and, where appropriate, the applicable recommended best practices of the CG Code.

Directors' Securities Transactions

The Company has adopted a code (the "Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. In response to specific enquiries made, all Directors confirmed that they had complied with the required standards of dealings as set out in the Code during the year.

Board of Directors

The board of Directors (the "Board"), which is accountable to the shareholders of the Company, is responsible for the leadership and control of the Company and it oversees the Group's businesses, strategic decisions and performances. The management is entrusted by the Board with the authority and responsibility for the day-to-day management of the Group and assumes full accountability to the Board for the operation of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for the Board's approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory and regulatory requirements, rules and regulations. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

Board of Directors (continued)

Board Composition

As at the date of this Annual Report, the Board comprises four Executive Directors, being Mr. Hou Wailin, Mr. Wen Yinheng, Mrs. Ho Lam Lai Ping, Theresa and Mr. Tsang Hon Nam, four Non-Executive Directors, being Mr. Cai Yong, Ms. Zhao Chunxiao, Mr. Lan Runing and Mr. Li Wai Keung, and five Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Wu Ting Yuk, Anthony. At the Board Meeting of the Company held on 27 March 2020 (the "Board Meeting"), the Board accepted the resignation of Mrs. Ho Lam Lai Ping, Theresa and Mr. Li Wai Keung, who are retiring from the Board having reached their retirement age. At the Board Meeting, the Board also approved the appointment of Mr. Lin Tiejun as an Executive Director and Vice Chairman of the Board. All of the aforementioned changes in Board composition will take effect from 28 March 2020.

During the year, the Non-Executive Directors (including the Independent Non-Executive Directors) provided the Company with a diverse range of expertise and a balance of skills, and brought independent judgments on issues pertaining to strategic direction, development, performance and risk management through their contribution at Board meetings and committee meetings. They also reviewed investment proposals as well as internal audit reports.

The names of the Directors and their roles and functions are posted on the Company's website at www.gdi.com.hk.

Chairman and Managing Director

The Chairman of the Board is Mr. Hou Wailin and the Managing Director is Mr. Wen Yinheng. The roles of the Chairman and the Managing Director of the Company are clearly defined and segregated to ensure independence and proper checks and balances.

On top of his executive responsibilities, the Chairman provides leadership to the Board and oversees its functioning to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. He is also responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors and the Company Secretary. With the support of the other Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to ensure effective communication with shareholders and other stakeholders as outlined in the latter part of this report.

Under the guidance and instructions of the Board, the Managing Director, leading the management of the Company, is accountable to the Board for the implementation of the Company's strategies and the coordination of various business operations.

Appointment and Re-election of Directors

All Directors (including Non-Executive Directors) appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first general meeting after his or her appointment and shall be eligible for re-election.

A service contract with specific term was entered into between the Company and each of Mr. Wen Yinheng, Mrs. Ho Lam Lai Ping, Theresa and Mr. Tsang Hon Nam in September 2018, and according to which, their tenure of service is from 1 October 2018 to 31 December 2020. The said contract may be terminated prior to expiry for cause or on mutual agreement or extended on mutual agreement. Mr. Wen, Mrs. Ho and Mr. Tsang are subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years according to the Articles of Association of the Company.

The other Directors (including Non-Executive Directors and Independent Non-Executive Directors) of the Company are appointed for a term of not more than approximately three years expiring on the earlier of either (i) the conclusion of the annual general meeting of the Company in the year of the third anniversary of the appointment or re-election (as the case may be) of that Director, and (ii) the expiration of the period within which the annual general meeting of the Company is required to be held in the year of the third anniversary of the appointment or re-election (as the case may be) of that Director and in any event, subject to earlier determination in accordance with the articles of association of the Company and/or any applicable laws and regulations.

Board of Directors (continued)

Independence of Independent Non-Executive Directors

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from the five Independent Non-Executive Directors, namely Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Wu Ting Yuk, Anthony in accordance with Rule 3.13 of the Listing Rules.

Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David, Mr. Fung Daniel Richard and Dr. Cheng Mo Chi, Moses have served on the Board of the Company for more than nine years. They have clearly demonstrated diligence, their willingness to exercise independent judgement and to provide objective opinion to the management. There is no evidence that length of tenure is having any adverse impact on their independence. The Board therefore considers that Dr. Chan, Dr. Li, Mr. Fung and Dr. Cheng remain independent, notwithstanding the length of their tenure.

The Board as well as the Nomination Committee have reviewed the independence of all Independent Non-Executive Directors and have concluded that all of them are independent within the definition of the Listing Rules. Further, up to the date of this report, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any Independent Non-Executive Director has been impaired.

Contributions of Independent Non-Executive Directors

The Company strives to build an effective Board, whose capability is appropriate for the scale, complexity and strategic positioning of our business. With this in mind, the Independent Non-Executive Directors of the Company are highly regarded incumbents with the following expertise and experience present in one or more of them:

- Significant board, financial and general management experience across a range of sectors and knowledge of corporate governance issues;
- In-depth and up-to-date knowledge of the global markets and economic, political and regulatory development;
- Considerable experience and qualification in financial administration, banking, legal and/or compliance;
- Broad experience in government organisations, public bodies and/or regulatory authorities;
- Leadership role in large-scale companies or organizations;
- Deep knowledge of commercial expertise;
- Alert of corporate social responsibility issues.

They all have a wealth of experience in diverse fields and possess the requisite upright character, integrity and business insight for the proper discharge of their duties as independent directors. In pursuit of the Group's objectives and business endeavors, by offering independent and constructive advice, they provide valuable contributions and insights to the Board and instill integrity into every aspect of our business which is also aligned to our values. Their considerable pool of knowledge, experience, skills and expertise are crucial to the Board's deliberations. They have given the Board and the committees on which they serve the benefit of their diligence, skills, expertise and varied backgrounds and qualifications through active participation.

In addition, the Independent Non-Executive Directors act as custodian of the policies and practices that define and safeguard the reputation of the Company and are well placed to carry out their role. They have devoted time to satisfying themselves that our corporate governance practices and compliance policies accord with latest requirements. Their drive, enthusiasm and commitment, along with their proven ability to build and lead a strong Board, brings significant value to all stakeholders of the Group.

Relationship amongst Directors

The Board members do not have any financial, business, family or other material/relevant relationships with each other, thus ensuring strong independence across the Board.

Board of Directors (continued)

Board Diversity Policy

The Board adopted a board diversity policy (the "Board Diversity Policy") on 28 August 2013 which sets out the approach to achieve diversity on the Board.

The Company recognizes and embraces the benefits of having a diverse Board and perceives increasing diversity at Board level as an essential element in contributing to the attainment of the Company's strategic objectives and sustainable development.

The Company seeks to promote Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company also takes into consideration its own business model and specific needs from time to time. All Board appointments are based on meritocracy, and candidates are considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Nomination Committee has set the measurable objectives based on five focused areas: gender, age, length of service, professional experience and skills and knowledge for the implementation of board diversity of the Company. The Nomination Committee reviews the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

As at the date of this report, the Board comprises thirteen directors. Five of them are Independent Non-Executive Directors drawn from a diverse background, spanning business management, investment management, public administration, financial services, legal, compliance and accounting, thereby ensuring critical review and control of the management process. The Board has maintained a balanced composition in terms of gender, age, professional experience, skills and knowledge. It has performed effectively by providing sound judgment on strategic issues and effective oversight of and guidance to management. The biographies of the Directors as at the date of this report set out in pages 27 to 31 to this Annual Report demonstrate a diversity of skills, expertise, experience and qualifications.

Having reviewed the implementation of the Board Diversity Policy and the structure, size and composition of the Board, the Nomination Committee of the Board considered that the requirements of the Board Diversity Policy had been met.

Board Meeting

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company's annual, interim and quarterly results. During the year, seven Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "Board and Committees Meetings" of this report.

Regular Board meetings in each year are scheduled well in advance to facilitate maximum attendance of Directors. At least fourteen days' notice of a Board meeting is normally given to all Directors who are provided with an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying Board papers are normally sent to Directors at least three days before the intended date of a Board meeting. Draft minutes of each Board meeting are circulated to Directors for their comment before being tabled at the next Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at reasonable time on reasonable notice by any Director.

According to the current Board practice, if a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board Meeting rather than by a written resolution. The articles of association of the Company also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any transaction, contract or arrangement in which such Director or any of his/her associates (as defined in the Listing Rules) has a material interest. Every Director is entitled to have access to the Board papers and related materials as well as to the advice and services of the Company Secretary.

Directors' Induction and Continuous Professional Development

Upon appointment to the Board, each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant legal and regulatory requirements.

The Directors are briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong ordinances and corporate governance practices so that they can continuously update and further improve their relevant knowledge and skills. Some Directors attended seminars and conferences organized by government authorities, professional bodies and industrial organizations in relation to corporate governance, updates on laws, rules and regulations, accounting, financial, management or other professional skills. The Company has organized Directors' training in August 2019 for the Directors on "Anti-corruption Laws". Reading materials have also been provided to the Directors to develop and refresh their professional skills.

According to the records kept by the Company, the Directors attended the following trainings during the year ended 31 December 2019.

Name of Director	In-house Directors' training	Seminars, Conferences, Webcasts and Reading Materials
Hou Wailin (appointed on 5 June 2019)	✔	✔
Wen Yinheng	✔	✔
Ho Lam Lai Ping, Theresa	✔	✔
Tsang Hon Nam	✔	✔
Cai Yong	✔	✔
Zhao Chunxiao	✔	✔
Lan Runing	✔	✔
Li Wai Keung	✔	✔
Chan Cho Chak, John	✔	✔
Li Kwok Po, David	✔	✔
Fung Daniel Richard	✔	✔
Cheng Mo Chi, Moses	✔	✔
Wu Ting Yuk, Anthony	✔	✔
Huang Xiaofeng (resigned on 5 June 2019)	✔	✔
Zhang Hui (retired on 17 June 2019)	✔	✔

To ensure strong compliance culture at all levels of the Group and to foster good governance, directors and management of subsidiaries are encouraged to participate in continuous training to facilitate their understanding of their duties and obligations in respect of compliance with rules and regulations as well as environmental, social and corporate governance.

Board Committees

The Board has established various committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee. For effective oversight and leadership, the Board receives updates/advice from the Board Committees from time to time. The terms of reference stipulating the respective authorities and responsibilities of these committees are available on the Company's website.

Remuneration Committee

The Remuneration Committee comprises all five Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Wu Ting Yuk, Anthony. Dr. Chan Cho Chak, John is the Chairman of the Remuneration Committee. The remuneration of the Directors shall be determined by the members of the Company at the general meetings. Approval has been granted by the shareholders at the annual general meeting in 2019 to authorise the Board to fix the remuneration of the Directors.

The Remuneration Committee advises on policies in regard to the remuneration of Directors and senior management of the Company and is authorised by the Board to determine the remuneration packages for individual Executive Director and senior management. Remuneration of the Executive Directors and senior management shall be determined by the Remuneration Committee with reference to their duties, responsibilities and performance, and the results of the Group. No Director shall be involved in deciding his/her own remuneration.

The meeting of the Remuneration Committee shall be held at least once a year and when necessary. During the financial year ended 31 December 2019, the Remuneration Committee had held five meetings and had passed one written resolution to approve the annual review of the remuneration packages and performance bonuses for the Executive Directors of the Company that came up for determination as well as the remuneration package of a newly appointed Director and certain Audit Committee members due to change in chairmanship of the committee. The attendance of each member of the Remuneration Committee is set out in the section headed "Board and Committees Meetings" of this report.

Details of the amount of Directors' remuneration for the year 2019 are set out in note 8 to the financial statements.

Nomination Committee

The Nomination Committee comprises Chairman of the Board, namely, Mr. Hou Wailin (appointed as Chairman of the Nomination Committee on 5 June 2019 upon the resignation of Mr. Huang Xiaofeng as Chairman of the Board on 5 June 2019), and all five Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Dr. Li Kwok Po, David, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Wu Ting Yuk, Anthony.

The Nomination Committee is responsible for, amongst other things, identifying individuals suitably qualified to become Board members, considering the re-appointment of Directors and succession planning for Directors and making recommendations to the Board in respect of the aforesaid matters.

The Board adopted a Directors' nomination policy (the "Nomination Policy") on 26 October 2018 to formally set out the criteria and process on the nomination and appointment of Directors. According to the Nomination Policy, the ultimate responsibility for selection and appointment of Directors rests with the entire Board or the shareholders in general meeting, as the case may be. The Board has delegated the relevant screening and evaluation process to the Nomination Committee, which identifies suitably qualified Director candidates and recommends them to the Board. In assessing the suitability of a proposed candidate, the Nomination Committee takes into consideration the candidate's character and integrity, qualifications, skills, knowledge, experiences relevant to the Company's business and corporate strategy, his/her commitment to enhancing shareholder value and devoting sufficient time to effectively carry out their duties, fulfilment of the independence requirements as set out in the Listing Rules (for Independent Non-Executive Directors) and diversity on the Board. After reaching its decision, the Nomination Committee nominates relevant Director candidates to the Board for approval and appointment. As said above, all Directors appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first general meeting after his or her appointment and shall be eligible for re-election. The Board will make recommendation to shareholders in respect of the proposed re-election of Directors at general meeting.

The meeting of the Nomination Committee shall be held at least once a year and when necessary. During the financial year ended 31 December 2019, the Nomination Committee held three meetings to evaluate the structure, size and composition of the Board, to review the implementation of the Company's Board Diversity Policy, to assess the independence of the Independent Non-Executive Directors and to make recommendations to the Board on the re-election, appointment and re-appointment of Directors.

The attendance of each member of the Nomination Committee is set out in the section headed "Board and Committees Meetings" of this report.

Board Committees (continued)

Audit Committee

The Audit Committee comprises all five Independent Non-Executive Directors, being Dr. Li Kwok Po, David, Dr. Chan Cho Chak, John, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Wu Ting Yuk, Anthony. In March 2019, the Company received a letter from Dr. Li Kwok Po, David tendering his resignation as the Chairman of the Audit Committee with effect from 1 April 2019 in order to devote more time to his other duties and business commitments. Dr. Li remained as a member of the committee. As recommended by the Audit Committee and approved by the Board on 29 March 2019, Mr. Wu Ting Yuk, Anthony has acted as the Chairman of the Audit Committee since 1 April 2019.

The meetings of the Audit Committee shall be held at least twice a year or as and when necessary. During the financial year ended 31 December 2019, the Audit Committee had held four meetings to review, among other matters, the 2018 annual results, the 2019 quarterly and interim results of the Group before their submission to the Board as well as to monitor the integrity of such financial statements/financial information. The Audit Committee oversees matters concerning the external auditor including making recommendations to the Board regarding the appointment of the external auditor, reviewing the nature and scope of their audit work and approving their fees. In addition to the four meetings as aforesaid, the Audit Committee also had a private meeting with the external auditor to discuss any area of concern. The Audit Committee further ensures that the management has put in place effective risk management and internal control systems and maintains an overview of the Group's risk assessment, control and management processes. It reviews the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and their training programmes and budget. In addition, it reviews the Group's internal audit reports and monitors the effectiveness of the internal audit function.

The attendance of each member of the Audit Committee is set out in the section headed "Board and Committees Meetings" of this report.

Board and Committees Meetings

The individual attendance records of each Director at the meetings of the Board, Remuneration Committee, Nomination Committee, Audit Committee and general meetings during the year ended 31 December 2019 are set out below:

Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	Annual General Meeting
Executive Directors					
Hou Wailin (appointed on 5 June 2019)	3/3	–	–	–	1/1
Wen Yinheng	7/7	–	–	–	1/1
Ho Lam Lai Ping, Theresa	7/7	–	–	–	1/1
Tsang Hon Nam	7/7	–	–	–	1/1
Huang Xiaofeng (resigned on 5 June 2019)	4/4	–	2/2	–	–
Non-Executive Directors					
Cai Yong	5/7	–	–	–	1/1
Zhao Chunxiao	6/7	–	–	–	1/1
Lan Runing	4/7	–	–	–	0/1
Li Wai Keung	7/7	–	–	–	1/1
Zhang Hui (retired on 17 June 2019)	0/4	–	–	–	0/1
Independent Non-Executive Directors					
Chan Cho Chak, John	7/7	5/5	3/3	4/4	1/1
Li Kwok Po, David	7/7	5/5	3/3	4/4	1/1
Fung Daniel Richard	6/7	4/5	3/3	3/4	1/1
Cheng Mo Chi, Moses	6/7	4/5	2/3	3/4	0/1
Wu Ting Yuk, Anthony	7/7	5/5	3/3	4/4	1/1

Accountability and Audit

Financial Reporting

The Board receives monthly management updates on the Group's performance and financial position and is responsible for overseeing the preparation of financial statements for each financial year.

The Directors have acknowledged their responsibility in the preparation of all information and representations contained in the financial statements of the Company for the year ended 31 December 2019, which give a true and fair view of the financial position of the Group and of the results and cash flows for that financial year. In preparing the financial statements for the year ended 31 December 2019, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on a going concern basis.

The Group endeavours to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The annual, interim and quarterly results of the Company are announced in a timely manner within the limit of three months, two months and 45 days respectively after the end of the relevant periods in accordance with the Listing Rules.

Auditor's Remuneration

During the year under review, the remuneration paid/payable to the Company's auditor, Ernst & Young, is set out as follows:

Services rendered	Fee paid/ payable HK$'000
Audit of financial statements *(Note)*	10,175
Review of interim results	2,410
Agreed-upon procedures on quarterly results	1,417
Environmental, social and governance reporting consultancy services	950
Total	14,952

Note: Another member firm of the Ernst & Young global network was engaged to conduct audit on the financial statements of certain subsidiaries of the Company. The relevant remuneration (not included in the amount shown above) was HK$4,031,000.

Risk Management and Internal Control

The Board is responsible for and is highly concerned with the Group's risk management and internal control systems and reviews their effectiveness annually. In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including parameters of authority delegation. Such systems are designed to prudently manage the Group's risks within an acceptable risk profile and provide reasonable assurance against material misstatement or loss. The Board has delegated to management the implementation of the risk management and internal control systems as well as the review of the relevant financial, operational, compliance, risk management and internal control procedures.

The management under the supervision of the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the risk management and internal control framework when there are changes in business, external environment or legal and regulatory guidelines.

The management assists the Board with the implementation of all relevant policies and procedures on risk and control by identifying and assessing the risks faced by the Group and designing, operating and monitoring suitable internal controls to mitigate and control these risks. The key processes that have been established in reviewing the adequacy and integrity of the risk management and internal control systems include the following: a defined management structure is maintained with specified limits of authority and control responsibilities, which is designed to (a) safeguard assets from inappropriate use; (b) maintain proper accounts; (c) ensure compliance with laws and regulations; and (d) identify, manage and mitigate key risks to the Group.

Accountability and Audit (continued)

Risk Management and Internal Control (continued)

The Audit Committee reviews, among others, the financial controls, risk management and internal control systems of the Group and any significant internal control issues identified by the internal audit department, external auditor and management. It also conducts review of the internal audit functions with particular emphasis on the scope and quality of management's on-going monitoring of risks and of the internal control systems and the work of the internal audit functions and independence of the internal audit department. The internal audit function, which is independent of the Group's management team, assesses and monitors the effectiveness of the Group's risk management and internal control systems and reports to the Audit Committee on a half-yearly basis. The function has unrestricted access to the company records that allows it to review all aspects of the Group's control and governance process. The scope of work includes financial and operational review, recurring and unscheduled audit, fraud investigation and compliance review. The opinion, as formulated by the function on the effectiveness of the risk management and internal control systems, together with the findings and implementation progress of the audit recommendations, would be reported to the Audit Committee. During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit functions, and their training programmes and budgets.

Review of Risk Management and Internal Control Systems

The risk management and internal control framework is under constant review and is updated in response to changes in business, external environment or legal and regulatory requirements.

The Board has conducted a review of the effectiveness of the risk management and internal control system and is satisfied that the risk management and internal control systems in place covering all material controls including financial, operational and compliance controls and risk management functions for the year under review and up to the date of issuance of this Annual Report and accounts are reasonably effective and adequate.

Policy on Inside Information

The Company has adopted policies on monitoring, reporting and disclosure of inside information (as defined in the Listing Rules). This ensures timely reporting and disclosure as well as fulfilment of the Group's continuous disclosure obligations.

Company Secretary

The Company Secretary reports to the Chairman and the Managing Director and all members of the Board have access to the advice and service of the Company Secretary.

Mrs. Ho Lam Lai Ping, Theresa has been the Company Secretary of the Company since December 1992. She is a full time employee with day-to-day knowledge of the Company's affairs and is supporting the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination of comprehensive Board meeting agendas and papers to Directors. She advises the Board on corporate governance matters, arranges induction programs including briefings on the general and specific duties of directors under legal and regulatory requirements for newly appointed Directors.

For the year under review, Mrs. Ho has confirmed that she has taken over 15 hours of relevant professional training.

Shareholders' Rights

Shareholders convening an extraordinary general meeting

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to the Hong Kong Companies Ordinance, shareholders of the Company holding not less than 5% of the total voting rights of all the members having a right to vote at general meeting may request the Directors to call a general meeting of the Company. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the person or persons making it. Directors of the Company must call a meeting within 21 days after the date on which they become subject to the requirement. The meeting being called must be held on a date not more than 28 days after the date of the notice convening the meeting. If the Directors fail to call the meeting, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting. The meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call a meeting.

Details of the procedures for shareholders to propose a person for election as a Director of the Company are available on the Company's website.

Shareholders' Rights (continued)

Shareholders' Enquiries and Proposals

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, or call its customer service hotline at (852) 2980 1333.

Shareholders' enquiries and proposals can be made by mail, email or by phone. The contact details of the Company are set out in the subsection headed "IR Contact" under the "Investor Relations" section of the Company's website. In addition, the Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and to strengthen communications with both the public and the shareholders. The Company has formulated the "Shareholders Communication Policy" which enables shareholders to exercise their rights in an informed manner.

Investor Relations

Communication with Shareholders

The Company actively promotes investor relations and communication with the investment community throughout the year under review. The Company responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations.

The Board is committed to providing clear and full information on the Company to shareholders through the publication of notices, announcements, circulars, interim and annual reports. Moreover, additional information on the Company is also available to shareholders and stakeholders through the "Investor Relations" page on the Company's website.

Constitutional Documents

During the year under review, no changes have been made to the constitutional documents of the Company. An up-to-date consolidated version of the Company's articles of association is available on the Company's website.

Dividend Policy

The Company considers stable and sustainable returns to shareholders to be our goal and endeavours to maintain a progressive dividend policy. In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account the Group's earnings performance, financial position, investment requirements and future prospects.

There can be no assurance that a dividend will be proposed or declared in any given year. If a dividend is proposed or declared, there can be no assurance that the dividend amount will be as contemplated above.

Environmental Policies and Performance

Environmental protection is one of the Group's key focuses in fulfilling its corporate social responsibilities. The Government of the People's Republic of China requires that all applicable businesses comply with relevant environmental laws and regulations. As the majority of its operations are in Mainland China, the Group strictly complies with the applicable laws and regulations. The Group has relevant environmental policies in place for each business segment. The Group also cooperates with its partners, including but not limited to tenants, customers and suppliers, to support environmental protection. The Group requires its suppliers to operate in strict compliance with all relevant environmental regulations and rules. Moreover, the suppliers' environmental performance is evaluated on a regular basis. In view of the ever-changing climate conditions, the Group recognises the importance of resilience of its business and adopting proactive measures to mitigate the impacts. Targeting its water resources business segment, the Group has conducted an initial climate-related risk assessment and identified significant physical and transitional risks in relation to its climate-prone operations.

To the extent necessary for an understanding of the development, performance or position of the Group's business, management is not aware of any non-compliance with relevant laws and regulations that may have a significant impact on the Company during the year ended 31 December 2019 and up to the date of this report.

For more detailed information about the Company's environmental policies and performance for this financial year, please refer to the Company's 2019 environmental, social and governance report to be issued separately.

Environmental, Social and Governance Committee

An Environmental, Social and Governance Committee ("ESG Committee") has been formed in 2018. Chaired by the Managing Director, the ESG committee comprises the Company Secretary, the Chief Financial Officer and senior executives from key business and functional units.

The ESG committee is responsible for monitoring and reporting to the Board on the implementation and effectiveness of the ESG management. It also evaluates the impacts of the Company's ESG performances on its stakeholders, including employees, shareholders, customers, suppliers, business associates and local communities. The ESG committee will consider emerging trends in laws, regulations and public debates about ESG matters, and ensure the Company is on a good track towards its sustainable business development. Moreover, the ESG committee meets at least once a year to review and evaluate the Company's ESG policies and performances.

Environmental, Social and Governance Management

To better set out the Group's corporate values in relation to ESG responsibilities and management, a set of ESG policies have been developed and put in place governing issues ranging from biodiversity, water quality and supply, supply chain management, health and safety to ethical business operations. The policies serve as important guidelines to its partners by defining the business model and approaches the Group adopted to manage key ESG issues.

For full versions of the policies, please refer to the subsection headed "Sustainability and Social Responsibility" under the "Corporate Governance" section of the Company's website.

Stakeholder Engagement and Materiality

The Group recognises that investors, customers, business partners, employees and the local community as its key stakeholders. Through various communication channels, the Group strives to achieve corporate sustainability by understanding and fulfilling their expectations. The stakeholder engagement exercises also help the Group better evaluate how different stakeholders are influenced by the Group's ESG decisions and performances.

In 2019, the Group has carried out a comprehensive materiality assessment to identify issues that are the most relevant and have the most significant impact in two dimensions, the Group and its stakeholders. Surveys were designed and distributed to internal and external stakeholders of the Group by business segment to collect and quantify their opinions. The material issues have been identified from the assessment, together with the considerations of emerging attention from the industry and market and best practices exercised by the Group's regional and international industry peers.

The paragraphs below only describe the Group's key relationships with stakeholders to the extent necessary for an understanding of the development, performance and position of the Group's business. For more detailed information, please refer to the Company's 2019 environmental, social and governance report to be issued separately.

Employees

Employees are one of the Group's most important assets. The Group ensures that its recruitment policies are in compliance with the rules and regulations on equal opportunity and anti-discrimination. The Group also provides training and career development opportunities to attract and retain talents, who are pivotal to business development. A safe and healthy work environment is also maintained for employees. The Group has dedicated safety management committees on its operation that oversee health and safety matters.

Customers

Customer satisfaction with the Group's products and services is key to its business success. The Group has dedicated customer service teams to reach out to and receive feedback from customers. The hotel business segment, for example, conducts continuous customer feedback and complaint management and formulates next steps to improve and ensure that the best services are provided to customers.

Suppliers

All of the Group's procurement processes are subject to open, fair and impartial bidding to select suitable suppliers. In addition, significant emphasis has been put on industrial safety and anti-corruption policies to ensure that suppliers comply with all relevant local laws and regulations. The Group has also incorporated green procurement policies into the hotel business segment, created a list of qualified suppliers and prioritised suppliers that provide environmentally friendly products.

By Order of the Board
HOU Wailin
Chairman

Hong Kong, 27 March 2020

INDEPENDENT AUDITOR'S REPORT

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To the members of Guangdong Investment Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Guangdong Investment Limited (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 186, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties at fair values	
At 31 December 2019, the aggregate carrying amounts of completed investment properties and investment properties under development of the Group measured at fair values amounted to approximately HK$12,306 million and approximately HK$3,029 million, respectively, with a fair value gain of approximately HK$172 million in total recognised in the consolidated statement of profit or loss for the year ended 31 December 2019. Significant management estimations are involved to determine the fair values. The Group engaged an independent external valuer to perform valuations of completed investment properties and investment properties under development of the Group to support management's determination of the fair values. Relevant disclosures are included in notes 3 and 14 to the consolidated financial statements.	Our audit procedures included, among others, (i) evaluating the independent external valuer's competence, capabilities and objectivity; and (ii) involving our internal valuation specialists to assist us to evaluate the valuation methodologies, key assumptions and parameters applied in the valuations by benchmarking market comparables and normal market practice.
Assessment of net realisable value of completed properties held for sale and properties held for sale under development	
At 31 December 2019, the carrying amounts of completed properties held for sale and properties held for sale under development amounted to HK$10,605 million in aggregate. These properties are stated at the lower of the cost and net realisable value. Significant management estimations are involved in determining the net realisable values of properties including estimating expected selling prices and construction costs to completion. Relevant disclosures are included in notes 3 and 20 to the consolidated financial statements.	Our audit procedures included, among others, evaluating the basis of net realisable value estimated by management (i) by comparing the expected selling prices estimated by management to contracted selling prices or current market transaction prices of properties in comparable locations and conditions, where applicable; and (ii) benchmarking estimated costs to completion, on a sample basis, to committed contracts amount and the existing development status of the properties.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Purchase price allocation for a business combination In May 2019, the Group acquired a 79% equity interest of 江西海滙公用事業集團有限公司 ("Jiangxi Haihui") from certain independent third parties at a total cash consideration of HK$1,896 million. The acquisition of Jiangxi Haihui constitutes a business combination. The accounting for this acquisition required significant management estimates in the fair value of the assets acquired and the liabilities assumed for the purchase price allocation as at the date of acquisition. Management engaged an independent external valuer to perform valuations on the identifiable assets acquired and liabilities assumed for the purchase price allocation to support the determination of fair values as at the acquisition date. Relevant disclosures are included in notes 3 and 34 to the consolidated financial statements.	Our audit procedures included, among others, (i) reviewing the acquisition agreement and purchase price allocation schedules prepared by management; (ii) discussing with management to understand their identification and measurement of the acquired assets and liabilities assumed; (iii) evaluating the independent external valuer's competence, capabilities and objectivity; (iv) involving our internal valuation specialists to assist us to evaluate the valuation methodology, key assumptions and parameters applied in the fair value measurements of the acquired assets and liabilities by benchmarking comparables and normal market practice; and (v) assessing the adequacy of the disclosures in the consolidated financial statements.

Other information included in the annual report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHENG Man.

Ernst & Young
Certified Public Accountants
Hong Kong

27 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**16,691,209**	13,363,600
Cost of sales		**(7,932,879)**	(5,696,300)
Gross profit		**8,758,330**	7,667,300
Other income and gains	5	**673,809**	691,738
Gain on bargain purchase	5	**–**	296,737
Changes in fair value of investment properties		**172,340**	230,102
Selling and distribution expenses		**(426,774)**	(348,696)
Administrative expenses		**(1,839,353)**	(1,734,204)
Exchange differences, net		**82,532**	120,070
Other operating income/(expenses), net		**137,324**	(15,034)
Finance costs	7	**(289,715)**	(149,964)
Share of profits less losses of associates		**212,930**	136,597
PROFIT BEFORE TAX	6	**7,481,423**	6,894,646
Income tax expense	10	**(1,835,040)**	(1,393,558)
PROFIT FOR THE YEAR		**5,646,383**	5,501,088
Attributable to:			
Owners of the Company		**5,044,370**	5,015,119
Non-controlling interests		**602,013**	485,969
		5,646,383	5,501,088
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK77.16 cents**	HK76.71 cents
Diluted		**HK77.16 cents**	HK76.68 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
PROFIT FOR THE YEAR	**5,646,383**	5,501,088
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations		
– Subsidiaries	**(999,455)**	(1,946,346)
– Associates	**(94,156)**	(124,171)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(1,093,611)**	(2,070,517)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investment designated at fair value through other comprehensive income, net of tax	**137**	3,807
Fair value gains of property, plant and equipment and right-of-use assets, net of tax	**364,222**	59,047
Share of an associate's remeasurement gain/(loss) on defined benefit plan, net of tax	**3,217**	(10,446)
	367,576	52,408
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(726,035)**	(2,018,109)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,920,348**	3,482,979
Attributable to:		
Owners of the Company	**4,503,700**	3,393,731
Non-controlling interests	**416,648**	89,248
	4,920,348	3,482,979

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**6,848,039**	7,017,886
Investment properties	14	**18,177,573**	16,949,174
Prepaid land lease payments	15(a)	**–**	306,824
Right-of-use assets	15(b)	**586,680**	–
Goodwill	16	**574,242**	301,883
Investments in associates	17	**4,136,983**	3,676,701
Operating concession rights	18(a)	**13,889,229**	13,047,462
Receivables under service concession arrangements	18(b)	**4,477,977**	1,451,496
Receivables under a cooperative arrangement	19	**1,151,590**	414,701
Equity investment designated at fair value through other comprehensive income	21	**10,146**	10,191
Prepayments and other receivables	23	**163,271**	137,905
Deferred tax assets	29	**385,948**	252,019
Total non-current assets		**50,401,678**	43,566,242
CURRENT ASSETS			
Properties held for sale under development	20	**6,624,204**	5,831,502
Completed properties held for sale	20	**3,980,357**	5,053,081
Financial assets at fair value through profit or loss	21	**–**	7,399,210
Other financial assets at amortised cost	21	**–**	1,597,820
Tax recoverable		**109,098**	26,053
Inventories	22	**199,630**	180,939
Receivables under service concession arrangements	18(b)	**86,972**	13,223
Receivables, prepayments and other receivables	23	**1,612,470**	1,118,991
Due from non-controlling equity holders of subsidiaries	26	**65,703**	66,670
Pledged bank deposits	24	**42,895**	42,278
Restricted bank balances	24	**954,719**	641,314
Cash and cash equivalents	24	**12,346,768**	7,645,121
Total current assets		**26,022,816**	29,616,202

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Total current assets		**26,022,816**	29,616,202
CURRENT LIABILITIES			
Payables, accruals and other liabilities	*25(a)*	**(4,594,861)**	(5,055,827)
Contract liabilities	*25(b)*	**(3,091,704)**	(1,637,277)
Tax payables		**(1,328,697)**	(803,482)
Due to non-controlling equity holders of subsidiaries	*26*	**(167,215)**	(159,000)
Bank and other borrowings	*27*	**(1,417,013)**	(1,567,092)
Lease liabilities	*15(c)*	**(42,663)**	–
Total current liabilities		**(10,642,153)**	(9,222,678)
NET CURRENT ASSETS		**15,380,663**	20,393,524
TOTAL ASSETS LESS CURRENT LIABILITIES		**65,782,341**	63,959,766
NON-CURRENT LIABILITIES			
Bank and other borrowings	*27*	**(6,720,265)**	(7,289,915)
Lease liabilities	*15(c)*	**(630,171)**	–
Other liabilities	*28*	**(1,555,193)**	(937,138)
Deferred tax liabilities	*29*	**(6,183,719)**	(6,272,264)
Total non-current liabilities		**(15,089,348)**	(14,499,317)
Net assets		**50,692,993**	49,460,449
EQUITY			
Equity attributable to owners of the Company			
Share capital	*30*	**8,966,177**	8,966,177
Reserves	*32*	**32,190,190**	31,406,078
		41,156,367	40,372,255
Non-controlling interests		**9,536,626**	9,088,194
Total equity		**50,692,993**	49,460,449

Hou Wailin
Director

Tsang Hon Nam
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Notes	Attributable to owners of the Company												
		Share capital HK$'000	Share option reserve HK$'000 *(note 32(i))*	Asset revaluation reserve HK$'000	Capital reserve HK$'000 *(note 32(iii))*	Expansion fund reserve HK$'000 *(note 32(ii))*	Exchange fluctuation reserve HK$'000	Other reserve HK$'000	Fair value reserve HK$'000	Defined benefit plan reserve HK$'000 *(note 32(iv))*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018		8,966,177	15,134	52,531	1,729,874	2,654,980	1,200,414	(6,057)	–	–	25,601,406	40,214,459	8,949,109	49,163,568
Profit for the year		–	–	–	–	–	–	–	–	–	5,015,119	5,015,119	485,969	5,501,088
Other comprehensive income/(loss) for the year:														
Exchange differences on translation of foreign operations														
– Subsidiaries		–	–	–	–	–	(1,535,467)	–	–	–	–	(1,535,467)	(410,879)	(1,946,346)
– Associates		–	–	–	–	–	(124,171)	–	–	–	–	(124,171)	–	(124,171)
Changes in fair value of equity investment designated at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	3,807	–	–	3,807	–	3,807
Fair value gains on property, plant and equipment, net of tax		–	–	44,889	–	–	–	–	–	–	–	44,889	14,158	59,047
Share of an associate's remeasurement loss on defined benefit plan, net of tax		–	–	–	–	–	–	–	–	(10,446)	–	(10,446)	–	(10,446)
Total comprehensive income/(loss) for the year		–	–	44,889	–	–	(1,659,638)	–	3,807	(10,446)	5,015,119	3,393,731	89,248	3,482,979
Acquisition of non-controlling interest in a subsidiary		–	–	–	–	–	–	236	–	–	–	236	(891)	(655)
Capital injection of subsidiaries by non-controlling equity holders		–	–	–	–	–	–	–	–	–	–	–	196,961	196,961
Equity-settled share option arrangements	31	–	109	–	–	–	–	–	–	–	–	109	–	109
Share options lapsed	31	–	(15,243)	–	–	–	–	–	–	–	15,243	–	–	–
Dividends and distribution to non-controlling equity holders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(161,097)	(161,097)
Transfer from retained profits		–	–	–	–	307,630	–	–	–	–	(307,630)	–	–	–
Final 2017 dividend paid		–	–	–	–	–	–	–	–	–	(2,222,859)	(2,222,859)	–	(2,222,859)
Interim 2018 dividend paid	11	–	–	–	–	–	–	–	–	–	(1,046,051)	(1,046,051)	–	(1,046,051)
Contribution from non-controlling equity holders of subsidiaries		–	–	–	32,630	–	–	–	–	–	–	32,630	14,864	47,494
At 31 December 2018		8,966,177	–	97,420	1,762,504	2,962,610	(459,224)	(5,821)	3,807	(10,446)	27,055,228	40,372,255	9,088,194	49,460,449

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2019

		Attributable to owners of the Company											
	Notes	Share capital HK$'000	Asset revaluation reserve HK$'000	Capital reserve HK$'000 *(note 32(iii))*	Expansion fund reserve HK$'000 *(note 32(ii))*	Exchange fluctuation reserve HK$'000	Other reserve HK$'000	Fair value reserve HK$'000	Defined benefit plan reserve HK$'000 *(note 32(iv))*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2018 (as previously reported)		8,966,177	97,420*	1,762,504*	2,962,610*	(459,224)*	(5,821)*	3,807*	(10,446)*	27,055,228*	40,372,255	9,088,194	49,460,449
Effect of adoption of HKFRS 16	2.2(a)	–	–	–	–	–	–	–	–	(3,221)	(3,221)	4,348	1,127
At 1 January 2019 (restated)		8,966,177	97,420	1,762,504	2,962,610	(459,224)	(5,821)	3,807	(10,446)	27,052,007	40,369,034	9,092,542	49,461,576
Profit for the year		–	–	–	–	–	–	–	–	5,044,370	5,044,370	602,013	5,646,383
Other comprehensive income/(loss) for the year:													
Exchange differences on translation of foreign operations													
– Subsidiaries		–	–	–	–	(765,509)	–	–	–	–	(765,509)	(233,946)	(999,455)
– Associates		–	–	–	–	(94,156)	–	–	–	–	(94,156)	–	(94,156)
Changes in fair value of equity investment designated at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	137	–	–	137	–	137
Fair value gains on property, plant and equipment and right-of-use assets, net of tax		–	315,641	–	–	–	–	–	–	–	315,641	48,581	364,222
Share of an associate's remeasurement gain on defined benefit plan, net of tax		–	–	–	–	–	–	–	3,217	–	3,217	–	3,217
Total comprehensive income/(loss) for the year		–	315,641	–	–	(859,665)	–	137	3,217	5,044,370	4,503,700	416,648	4,920,348
Put option on non-controlling interest in a subsidiary	25	–	–	–	–	–	(139,687)	–	–	–	(139,687)	(413,121)	(552,808)
Acquisition of subsidiaries	34	–	–	–	–	–	–	–	–	–	–	488,162	488,162
Acquisition of non-controlling interest in a subsidiary		–	–	–	–	–	2,617	–	–	–	2,617	(59,256)	(56,639)
Capital injection from non-controlling equity holders of subsidiaries		–	–	–	–	–	–	–	–	–	–	311,911	311,911
Dividends paid and payable to non-controlling equity holders of subsidiaries		–	–	–	–	–	–	–	–	–	–	(301,765)	(301,765)
Transfer from retained profits		–	–	–	280,963	–	–	–	–	(280,963)	–	–	–
Final 2018 dividend paid		–	–	–	–	–	–	–	–	(2,451,683)	(2,451,683)	–	(2,451,683)
Interim 2019 dividend paid	11	–	–	–	–	–	–	–	–	(1,131,043)	(1,131,043)	–	(1,131,043)
Contribution from a non-controlling equity holder of a subsidiary		–	–	3,429	–	–	–	–	–	–	3,429	1,505	4,934
At 31 December 2019		8,966,177	413,061*	1,765,933*	3,243,573*	(1,318,889)*	(142,891)*	3,944*	(7,229)*	28,232,688*	41,156,367	9,536,626	50,692,993

* *These reserve accounts comprise the consolidated reserves of HK$32,190,190,000 (2018: HK$31,406,078,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**7,481,423**	6,894,646
Adjustments for:			
Finance costs	7	**289,715**	149,964
Share of profits less losses of associates		**(212,930)**	(136,597)
Bank interest income	5	**(254,255)**	(165,232)
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost	5	**(273,800)**	(337,612)
Interest income from receivables under a cooperative arrangement	5	**(35,915)**	(12,731)
Fair value change on financial assets at fair value through profit or loss	5	**37,689**	(39,250)
Depreciation of property, plant and equipment	6	**428,196**	504,463
Recognition of prepaid land lease payments	6	**–**	12,227
Depreciation of right-of-use assets	15	**50,026**	–
Amortisation of operating concession rights	6	**1,051,008**	1,012,177
Changes in fair value of investment properties		**(172,340)**	(230,102)
Equity-settled share option benefits	6	**–**	109
Loss/(gain) on disposal of items of property, plant and equipment, net	6	**(1,714)**	8,414
Reversal of impairment on property, plant and equipment	6	**(15,634)**	–
Gain on lease modification		**(113)**	–
Gain on bargain purchase	5	**–**	(296,737)
Exchange gains, net		**(43,302)**	(101,758)
Reversal of impairment losses for trade receivables, net	6	**(3,481)**	(345)
Reversal of impairment on an investment in an associate	6	**(46,026)**	–
Operating profit before working capital changes		**8,278,547**	7,261,636
Increase in inventories		**(5,003)**	(16,748)
Increase in receivables, prepayments, other receivables and assets		**(470,427)**	(155,670)
Increase in receivables under service concession arrangements		**(1,122,650)**	(482,378)
Increase in operating concession rights		**(264,049)**	–
Decrease in completed properties held for sale		**1,877,317**	205,587
Increase in properties held for sale under development		**(1,788,704)**	(352,203)
Increase/(decrease) in payables, accruals and other liabilities		**635,510**	(120,192)
Increase in contract liabilities		**1,343,100**	1,673,436
Movement in balances with non-controlling equity holders of subsidiaries, net		**(16,207)**	(19,566)
Increase in restricted bank balances		**(333,583)**	(514,916)
Cash generated from operations		**8,133,851**	7,478,986

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash generated from operations		**8,133,851**	7,478,986
Interest received		**240,326**	502,844
Dividends from associates		**91,579**	87,473
Hong Kong profits tax paid		**(3,731)**	(17,781)
Mainland China tax paid		**(1,822,315)**	(1,724,176)
Net cash flows from operating activities		**6,639,710**	6,327,346
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in financial assets at fair value through profit or loss		**7,562,659**	(1,021,050)
Net movement in other financial assets at amortised cost		**1,643,703**	(263,846)
Net movement in receivables under a cooperative agreement		**(724,024)**	(417,594)
Purchases of items of property, plant and equipment		**(674,346)**	(577,864)
Additions to service concession arrangements		**(1,387,400)**	(126,795)
Additions to investment properties		**(313,324)**	(766,721)
Acquisition of subsidiaries	*34*	**(1,617,012)**	(2,360,455)
Increase in investments in associates		**(383,817)**	(70,725)
Proceeds from disposal of items of property, plant and equipment		**19,357**	7,894
Decrease/(increase) in pledged bank deposits		**(1,572)**	23,687
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**(2,705,790)**	261,607
Settlement of consideration payable for acquisition of subsidiaries in the prior years		**(7,086)**	(36,847)
Net cash flows from/(used in) investing activities		**1,411,348**	(5,348,709)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**4,120,658**	9,311,881
Repayments of bank and other borrowings		**(4,962,333)**	(6,134,190)
Interest paid		**(299,642)**	(157,545)
Decrease in loans from a fellow subsidiary		**(393,835)**	(7,343)
Decrease in amounts due to the ultimate holding company and fellow subsidiaries		**(432,067)**	(22,357)
Payment for acquisition of non-controlling interests		**(56,638)**	(48,619)
Capital contribution from non-controlling equity holders of subsidiaries		**141,168**	129,668
Principal portion of lease payments	*35(d)*	**(59,396)**	–
Dividends paid to non-controlling shareholders		**(270,259)**	(191,679)
Dividends paid to shareholders		**(3,582,726)**	(3,268,910)
Net cash flows used in financing activities		**(5,795,070)**	(389,094)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,255,988**	589,543
Cash and cash equivalents at beginning of year		**6,887,014**	6,519,825
Effect of foreign exchange rate changes, net		**(194,786)**	(222,354)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**8,948,216**	6,887,014
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*24*	**4,484,546**	3,845,440
Non-pledged time deposits with original maturity of less than three months when acquired	*24*	**4,463,670**	3,041,574
Cash and cash equivalents as stated in the consolidated statement of cash flows		**8,948,216**	6,887,014

1. Corporate and Group Information

Guangdong Investment Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 28/F. and 29/F., Guangdong Investment Tower, 148 Connaught Road Central, Hong Kong.

During the year, the Group was principally engaged in investment holding, water resources, property investment and development, department store operation, hotel ownership, operation and management, investment in energy projects, road and bridge operation.

GDH Limited is the immediate holding company of the Company. In the opinion of the directors, the ultimate holding company of the Group is 廣東粵海控股集團有限公司 (Guangdong Holdings Limited▲) ("Guangdong Holdings"), a company established in the mainland of the People's Republic of China (the "PRC" or "Mainland China").

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2019 are as follows:

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
寶應粵海水務有限公司 (Baoying Yuehai Water Company Limited▲)(2)(4)	Mainland China	RMB106,950,000	–	70%	Water distribution operation
潮州市粵海環保有限公司 (Chaozhou Guangdong Huanbao Company Limited▲)(4)(9)*	Mainland China	RMB120,590,940	–	98%	Sewage treatment operation
China City Water Supply Investment Holding Limited	Cayman Islands/ Hong Kong	US$10,000	–	100%	Investment holding
Cititrend Industrial Limited	Hong Kong	HK$2	–	100%	Investment holding
大埔粵海環保有限公司 (Dapu Guangdong Huanbao Co.,Ltd.▲)(1)	Mainland China	RMB87,810,000	–	97%	Sewage treatment operation
東莞市常平金勝水務有限公司 (Dongguan Changping Jinsheng Water Co., Ltd.▲)(1)(4)	Mainland China	RMB35,000,000	–	90.1%	Sewage treatment operation
東莞市道滘鴻發污水處理有限公司 (Dongguan Daojiao Hongfa Sewage Treatment Co., Ltd.▲)(1)	Mainland China	RMB11,000,000	–	90.1%	Sewage treatment operation
東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd.▲) ("Qingxi Water Co")(4)(6)	Mainland China	RMB180,000,000	–	43.86%	Water distribution operation
Dongguan Yuehai Yinping Development and Construction Limited ("Dongguan Yuehai Yinping")(3)(14)	Mainland China	RMB1,585,700,000	100%	–	Construction and management of road operation
恩施粵海正源水務有限公司 (Enshi Guangdong Zhengyuan Water Company Limited▲) ("Enshi Water Co")(1)(10)(15)*	Mainland China	RMB210,000,000	74%	–	Water distribution operation

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2019 are as follows: (continued)

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.▲) ("Fengshun Water Co")(1)	Mainland China	RMB107,500,000	–	70%	Water distribution operation
Fill Success Investments Limited	Hong Kong	HK$2 ordinary HK$2 non-voting deferred	–	100%	Hotel ownership
高郵港郵供水有限公司 (Gaoyou Gangyou Water Supply Company Limited▲)(2)(4)	Mainland China	RMB91,400,000	–	60%	Water distribution operation
高州粵海水務有限公司 (Gaozhou Guangdong Water Company Limited▲) ("Gaozhou Water Co")(1)(13)	Mainland China	RMB196,078,400	51%	–	Water distribution operation
GH Water Supply (Holdings) Limited ("GH Water Holdings")	Cayman Islands/ Hong Kong	HK$1,000,000 ordinary HK$100 Class A special shares	96.04%	–	Investment holding
Global Head Developments Limited ("Global Head")	British Virgin Islands/ Hong Kong	US$1	100%	–	Property investment
Guangdong Hotel Limited	Hong Kong	HK$2 ordinary HK$5,000,000 non-voting deferred	–	100%	Hotel ownership and operation
珠海粵海酒店 (Guangdong Hotel (Zhu Hai)▲)(3)*	Mainland China	US$10,000,000	–	100%	Hotel ownership and operation
Guangdong (International) Hotel Management Holdings Limited	Hong Kong	HK$10,000,000	100%	–	Hotel management
Guangdong Land Holdings Limited ("GD Land")*	Bermuda/ Hong Kong	HK$171,153,685 (Authorised share capital: HK$500,000,000)	73.82%	–	Property development and investment
Guangdong Nan Fang (Holdings) Co. Ltd*	British Virgin Islands/ Mainland China	US$10,000	100%	–	Property investment
Guangdong Power (International) Limited ("GPIL")	British Virgin Islands/ Hong Kong	US$8,690,750	51%	–	Property investment
Guangdong Properties Holdings Limited	Hong Kong	HK$2	100%	–	Investment holding

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2019 are as follows: (continued)

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited▲) ("GD Teem")(1)*	Mainland China	RMB840,000,000	11.51%	64.62%	Property investment and investment holding
廣東粵海天河城百貨有限公司 (前稱廣東天河城百貨有限公司) (Guangdong Teemall Department Stores Ltd.▲) ("GDTDS")(4)*	Mainland China	RMB50,000,000	–	85.20%	Department store operation
廣東天與地商業運營管理有限公司 (Guangdong Tiandi Commercial Operation Management Ltd.▲)(4)(10)(23)*	Mainland China	RMB50,000,000	–	64.71%	Property investment
Guangdong Water Group (H.K.) Limited	Hong Kong	HK$1,300,000,000	100%	–	Investment holding
廣東粵海水務投資有限公司 (Guangdong Yuehai Water Investment Company Limited▲)(4)(19)	Mainland China	RMB2,000,000,000	–	100%	Investment holding
Guangdong Yue Gang Water Supply Company Limited ("WaterCo")(2)(5)	Mainland China	HK$6,116,000,000	–	95.08%	Water distribution operation
廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd. ▲)(4)(8)(22)*	Mainland China	RMB308,000,000	–	73.82%	Property development and investment
廣西粵海高速公路有限公司 (前稱廣西新長江高速公路有限責任公司) (Guangxi GDH Highway Co., Ltd.▲) ("GDH Highway")(4)	Mainland China	RMB518,000,000	–	100%	Toll road operation
廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Company Limited▲) ("Wanye")(4)(6)*	Mainland China	RMB230,000,000	–	31.06%	Property development and investment
海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Company Limited▲) ("Danzhou Water Co")(1)(12)	Mainland China	RMB140,124,100	76.2%	–	Water distribution and sewage treatment operation
海南儋州自來水有限公司 (Hainan Danzhou Tap Water Company Limited▲)(3)	Mainland China	HK$30,000,000	–	100%	Water distribution operation
江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Holdings Company Limited▲)(4)(7)	Mainland China	RMB296,666,700	–	79%	Water distribution, sewage treatment and related construction services in the PRC

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2019 are as follows: (continued)

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd.▲)(4)	Mainland China	RMB17,500,000	–	54.29%	Sewage treatment operation
開平粵海污水處理有限公司 (Kaiping Yuehai Sewage Treatment Co., Ltd.▲)(4)	Mainland China	RMB18,500,000	–	54.29%	Sewage treatment operation
荔浦粵海水務有限公司 (Laipo Guangdong Water Company Limited▲)(1)(9)	Mainland China	RMB38,712,567	–	90%	Water distribution operation
六盤水粵海環保有限公司 (Liupanshui Guangdong Huanbao Company Limited▲)(4)(9)	Mainland China	RMB360,000,000	–	90%	Sewage treatment operation
梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲)(2)(20)	Mainland China	RMB326,666,700	–	70%	Water distribution and sewage treatment operation
邳州粵海水務有限公司 (Pizhou Guangdong Water Company Limited▲)(4)(9)	Mainland China	RMB510,827,700	–	74.47%	Water distribution operation
Rosy Canton Holdings Limited ("Rosy Canton")	British Virgin Islands/ Hong Kong	US$1	100%	–	Investment holding
Sen International Ventures Corporation (Hong Kong) Limited	Hong Kong	HK$2	–	100%	Hotel operation
汕尾粵海環保有限公司 (Shanwei Yuehai Huanbao Co., Ltd.▲)(1)	Mainland China	RMB75,000,000	–	80%	Sewage treatment operation
韶關粵海綠源環保有限公司 (Shaoguan Guangdong Luyuan Huanbao Co., Ltd.▲)(1)(10)(16)	Mainland China	RMB92,932,200	–	85.8%	Sewage treatment operation
深圳粵海酒店企業有限公司 (Shenzhen Guangdong Hotel Enterprise Ltd.▲)(2)(4)*	Mainland China	HK$40,000,000	99%	–	Hotel ownership and operation
深圳市海潤水業有限公司 （前稱珠海海潤水業有限公司） (Shenzhen Hairun Shuiye Company Limited▲)(3)	Mainland China	RMB300,000,000	–	100%	Investment holding

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2019 are as follows: (continued)

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
深圳昇潤工程有限公司 (Shenzhen Shengrun Engineering Co., Ltd.▲)(4)	Mainland China	RMB4,650,000	–	100%	Water supply construction work operation
遂溪粵海水務有限公司 (Suixi Guangdong Water Company Limited▲) ("Suixi Water Co")(1)(13)	Mainland China	RMB60,000,000	–	70%	Water distribution and sewage treatment operation
Tianjin Teem Shopping Center Co., Ltd.(3)*	Mainland China	RMB1,810,000,000	–	76.02%	Property investment and development
天津粵海天河城百貨有限公司 (前稱天津天河城百貨有限公司) (Tianjin Yuehai Teemall Department Stores Ltd.▲)(4)(10)(24)*	Mainland China	RMB10,000,000	–	85.20%	Department store operation
五華粵海環保有限公司 (Wuhua Yuehai Huanbao Co., Ltd.▲)(3)	Mainland China	RMB30,000,000	–	100%	Sewage treatment operation
五華粵海綠源環保有限公司 (Wuhua Yuehai Luyuan Huanbao Co., Ltd.▲)(3)	Mainland China	RMB65,000,000	–	100%	Sewage treatment operation
五華粵海清源環保有限公司 (Wuhua Yuehai Qingyuan Huanbao Co., Ltd.▲)(4)	Mainland China	RMB10,000,000	–	100%	Sewage treatment operation
梧州粵海環保發展有限公司 (Wuzhou Yuehai Huanbao Fazhan Company Limited▲)(1)	Mainland China	RMB46,000,000	–	86.96%	Sewage treatment operation
梧州粵海江河水務有限公司 (Wuzhou Yuehai Jianghe Water Company Limited▲)(2)(4)	Mainland China	RMB110,000,000	–	51%	Water distribution operation
興寧粵海環保有限公司 (Xingning Yuehai Huanbao Co., Ltd.▲)(3)	Mainland China	RMB9,660,000	–	100%	Sewage treatment operation
盱眙粵海水務有限公司 (Xuyi Guangdong Water Company Limited▲) ("Xuyi Water Co")(1)	Mainland China	RMB50,500,000	–	63.07%	Water distribution operation
陽江粵海環保有限公司 (Yangjiang Guangdong Huanbao Co., Ltd.▲)(1)(18)	Mainland China	RMB44,000,000	–	98.8%	Sewage treatment operation
陽山粵海環保有限公司 (Yangshan Guangdong Huanbao Co., Ltd▲)(4)*	Mainland China	RMB163,233,000	95%	–	Sewage treatment operation

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2019 are as follows: (continued)

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
儀征港儀供水有限公司 (Yizheng Gangyi Water Supply Company Limited▲)(2)(4)(21)	Mainland China	RMB141,400,000	–	60%	Water distribution operation
Yue Sheng Finance Limited	Hong Kong	HK$2	100%	–	Finance
雲浮粵海水務有限公司 (Yunfu Guangdong Water Company Limited▲)(1)	Mainland China	RMB114,282,500	–	69.5%	Water distribution operation
湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Company Limited▲)(4)(9)	Mainland China	RMB900,000,000	–	65%	Water distribution operation
Zhaoqing HZ GDH Water Co., Ltd.(2)(4)	Mainland China	RMB116,022,700	–	70%	Water distribution operation
中山粵海能源有限公司 (前稱中山火力發電有限公司) (Zhongshan GDH Energy Co., Ltd.▲) ("Zhongshan Energy")(2)*	Mainland China	RMB1,114,688,900	–	71.25%	Provision and sale of electricity and steam supply
粵海科技(深圳)有限公司(3)*	Mainland China	US$50,000,000	–	73.82%	Property investment
粵海置地(深圳)有限公司(3)*	Mainland China	RMB4,000,000,000	–	73.82%	Property development and investment
廣州市粵海天河城百貨商業有限公司 (前稱廣州市天河城萬博百貨有限公司)(4)*	Mainland China	RMB1,000,000	–	85.20%	Department store operation
廣州市番禺粵海房地產有限公司(2)*	Mainland China	RMB187,300,000	–	59.06%	Property development
廣東粵海投資財務管理有限公司(3)*	Mainland China	RMB10,000,000	100%	–	Finance
吳川粵海環保有限公司 (WuChuan Guangdong Huanbao Co., Ltd.▲)(1)(17)	Mainland China	RMB178,891,800	–	98.8%	Sewage treatment operation
南昌縣供水有限責任公司 (Nanchangxian Gongshui Co., Ltd.▲)(4)(7)	Mainland China	RMB83,000,000	–	79%	Water distribution operation
豐城市供水有限責任公司 (Fengchengshi Gongshui Co., Ltd.▲)(4)(7)	Mainland China	RMB77,000,000	–	79%	Water distribution operation
豐城市劍邑供水有限責任公司 (Fengchengshi Jianyi Gongshui Co., Ltd.▲)(4)(7)	Mainland China	RMB92,624,900	–	61.22%	Water distribution operation
餘干縣供水有限責任公司 (Yuganxian Gongshui Co., Ltd.▲)(4)(7)	Mainland China	RMB32,000,000	–	79%	Water distribution operation

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2019 are as follows: (continued)

Company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
來安縣粵海供水有限責任公司 (Laianxian Guangdong Gongshui Co., Ltd.▲)[4][7]	Mainland China	RMB50,000,000	–	79%	Water distribution operation
浙江博華環境技術工程有限公司 (Jiejiang Bohua Huanjing Technology Engineering Co., Ltd.▲)[4][7][25]	Mainland China	RMB100,000,000	–	79%	Water supply construction work operations
江西聯禾建設工程有限公司 (Jiangxi Lianhe Construction Engineering Co., Ltd.▲)[4][7]	Mainland China	RMB40,000,000	–	79%	Water distribution operation
江門市粵海置地房地產投資有限公司 (Jiangmenshi Guangdong Land Real-Estate Investment Co., Ltd.▲)[4][9]*	Mainland China	RMB530,000,000	–	73.82%	Property development

Notes:

(1) *Sino-foreign equity joint venture.*

(2) *Sino-foreign co-operative joint venture.*

(3) *Wholly-foreign-owned enterprise.*

(4) *Limited company established in Mainland China.*

(5) *Pursuant to WaterCo's articles of association, Guangdong Holdings, which directly holds a 1% equity interest in WaterCo, is not entitled to receive any distributed profits of WaterCo for the first fifteen years of operation (the "Period"). 100% of the distributed profits of WaterCo for the Period shall be made to GH Water Holdings, its holding company holding a 99% equity interest. Starting from the sixteenth year of WaterCo's operation (from 18 August 2015 onwards), 1.01% of the distributed profits of WaterCo for the Period plus simple interest at a rate of 8% per annum on the unpaid amount of the distributed profits shall be made to Guangdong Holdings (collectively referred to as the "Deferred Dividend"). Once Guangdong Holdings has received the Deferred Dividend in full, all of WaterCo's distributable profits will be distributed to GH Water Holdings and Guangdong Holdings according to their respective equity interests in WaterCo for the remaining operating period.*

(6) *Qingxi Water Co and Wanye are subsidiaries of non-wholly owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.*

(7) *This subsidiary was acquired by the Group during the year ended 31 December 2019, further details of which are set out in note 34 to these financial statements.*

(8) *This subsidiary was acquired by the Group during the year ended 31 December 2018, further details of which are set out in note 34 to these financial statements.*

(9) *These subsidiaries were established by the Group during the year ended 31 December 2019.*

(10) *These subsidiaries were established by the Group during the year ended 31 December 2018.*

(11) *During the year ended 31 December 2019, the Group contributed Nil (2018: RMB12,600,000) to Suixi Water Co as paid-up capital. RMB4,200,000 will be contributed to Suixi Water Co by 2020.*

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2019 are as follows: (continued)

Notes: (continued)

(12) During the year ended 31 December 2018, the Group contributed RMB16,775,000 to Danzhou Water Co as paid-up capital.

(13) During the year ended 31 December 2018, the non-controlling equity holder contributed RMB96,078,400 to Gaozhou Water Co as paid-up capital.

(14) During the year ended 31 December 2019, the Group contributed RMB367,499,000 (2018: RMB99,860,000) to Dongguan Yuehai Yinping as paid-up capital. RMB793,440,000 will be contributed by the Group by instalments.

(15) During the year ended 31 December 2019, the Group contributed RMB97,650,000 (2018: RMB57,750,000) to Enshi Water Co as paid-up capital.

(16) During the year ended 31 December 2019, the Group contributed RMB63,789,000 (2018: RMB15,947,200) to Shaoguan Guangdong Luyuan Huanbao Company Limited as paid-up capital.

(17) During the year ended 31 December 2019, the Group contributed RMB60,000,000 (2018: RMB40,000,000) to WuChuan Guangdong Huanbao Company Limited as paid-up capital.

(18) During the year ended 31 December 2018, the Group contributed RMB43,472,000 to Yangjiang Guangdong Huanbao Company Limited as paid-up capital.

(19) During the year ended 31 December 2019, the Group contributed RMB555,000,000 (2018: RMB150,000,000) to Guangdong Yuehai Water Investment Company Limited as paid-up capital.

(20) During the year ended 31 December 2018, the Group and the non-controlling equity holder contributed RMB88,666,700 and RMB38,000,000, respectively, to Meizhou Guangdong Water Co., Ltd. as paid-up capital.

(21) During the year ended 31 December 2019, the Group and the non-controlling equity holder contributed RMB15,000,000 (2018: Nil) and Nil (2018: RMB10,000,000), respectively, to Yizheng Gangyi Water Supply Company Limited as paid-up capital.

(22) 100% equity interest in Guangdong Yuehai Property Development Co., Ltd. with an investment cost of HK$1,390,761,000 (2018: HK$1,390,761,000) were pledged to secure a bank loan (note 27).

(23) During the year ended 31 December 2019, the Group and the non-controlling equity holder contributed RMB12,750,000 (2018: RMB17,000,000) and RMB2,250,000 (2018: RMB3,000,000), respectively, to Guangdong Tiandi Commercial Operation Management Ltd. as paid-up capital.

(24) During the year ended 31 December 2018, the Group contributed RMB10,000,000 to Tianjin Teemall Department Stores Ltd. as paid-up capital.

(25) During the year ended 31 December 2019, the Group contributed RMB45,000,000 (2018: Nil) to Jiejiang Bohua Huanjing Technology Engineering as paid-up capital.

* *Statutory financial statements of these subsidiaries were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.*

▲ *The English name of the entity marked with "▲" is a translation of its Chinese name, and is included herein and in other sections of these financial statements for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for completed investment properties, certain investment properties under development, an equity investment designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2019. 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.

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and amendments to HKFRS 3, HKFRS 11 and HKAS 12 included in *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). The Group recognises the depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities as finance costs. The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2.2 Changes in Accounting Policies and Disclosures (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets amounting to HK$298,437,000 were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019.

For other leases, the right-of-use assets for certain leases amounting to HK$17,657,000 were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. Prepaid land lease payments, which represent medium-term leasehold land amounting to HK$306,824,000, were reclassified to right-of-use assets as at 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40. For the leases previously accounted for as operating leases and entered into for earning sublease rental income, the related right-of-use assets of the head leases of HK$112,020,000 were measured at fair value of HK$178,317,000 at 1 January 2019, and have been accounted for and classified as investment properties applying HKAS 40 from that date.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

- Relied on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review

- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

2.2 Changes in Accounting Policies and Disclosures (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) HK$'000
Assets	
Increase in right-of-use assets	622,918
Increase in investment properties	178,317
Decrease in prepaid land lease payments	(306,824)
Increase in investment in an associate	46,077
Increase in deferred tax assets	31,557
Decrease in receivables, prepayments and other receivables	(5,674)
Increase in total assets	566,371
Liabilities	
Increase in lease liabilities	549,857
Increase in deferred tax liabilities	16,574
Decrease in payables, accruals and other liabilities	(1,187)
Increase in total liabilities	565,244
Equity	
Decrease in retained profits attributable to owners of the Company	(3,221)
Increase in non-controlling interests	4,348
Increase in total equity	1,127

Financial impact at 1 January 2019

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	356,728
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(7,010)
Add: Payments for optional extension periods not recognised as at 31 December 2018	365,556
Gross lease liabilities as at 1 January 2019	715,274
Weighted average incremental borrowing rate as at 1 January 2019	4.91%
Discounted lease liabilities as at 1 January 2019	549,857
Current portion of lease liabilities as at 1 January 2019	56,319
Non-current portion of lease liabilities as at 1 January 2019	493,538
Lease liabilities as at 1 January 2019	549,857

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the amendments did not have any impact on the financial position or performance of the Group.

2.2 Changes in Accounting Policies and Disclosures (continued)

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

(d) Amendments to HKAS 23 *Borrowing Costs* clarify that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any impact on the Group's financial statements.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, and HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

[1] *Effective for annual periods beginning on or after 1 January 2020*
[2] *Effective for annual periods beginning on or after 1 January 2021*
[3] *No mandatory effective date yet determined but available for adoption*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Summary of Significant Accounting Policies

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. The non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other terms is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement

The Group measures its completed investment properties, certain investment properties under development, equity investment designated at fair value through other comprehensive income and financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties stated at fair value, inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less cost of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 Summary of Significant Accounting Policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Properties held for sale under development

Properties held for sale under development are investments in land and buildings on which construction work and development have not been completed, and are stated at the lower of cost and net realisable value. Borrowing costs incurred during the construction period and up to the date of completion of construction are capitalised as development costs. Net realisable value represents the estimated selling price less estimated costs of completion and estimated selling expenses. On completion, the properties are reclassified to completed properties held for sale at the then carrying amount.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and estimated net realisable value. In respect of unsold properties, cost is determined by apportionment of the total land and development costs, other direct expenses and where applicable borrowing costs attributable to unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates of anticipated sale proceeds based on prevailing market conditions.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

When the owner-occupied properties are transferred to investment properties, valuations are performed before the transfer. Changes in the values of properties are dealt with as movements in the asset revaluation reserve.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel properties	2.30% – 5%
Land and buildings	2% – 6%
Tunnels, dams, water mains, reservoirs and pipelines	3% – 9%
Plant and machinery	4% – 25%
Furniture, fixtures and equipment	4% – 32%
Leasehold improvements	Over the shorter of three to five years and the lease terms
Motor vehicles	8% – 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transactions costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 Summary of Significant Accounting Policies (continued)

Investment properties (continued)

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" and "Leases".

Properties under development for future use as investment properties have been accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under development are capitalised as part of the carrying amounts of the investment properties under development. Investment properties under development are measured at fair value as at the end of the reporting period. Any difference between the fair values of the investment properties under development and their carrying amounts is recognised in the statement of profit or loss in the period in which they arise.

If the fair value of an investment property under development is at present not reliably determinable but is expected to be reliably determinable when construction is complete, such investment property under development is stated at cost until either its fair value becomes reliably determinable or development is completed, whichever is earlier.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	Over the lease terms
Prepaid land lease payments	Over the lease terms

If ownership of the leased asset is transferred to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of an investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

2.4 Summary of Significant Accounting Policies (continued)

Leases (applicable from 1 January 2019) (continued)

The Group as a lessee (continued)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment or intangible assets.

2.4 Summary of Significant Accounting Policies (continued)

Service concession arrangements

A service concession arrangement refers to a contractual service arrangement granted by a government authority in Mainland China (the "Grantor") to allow the Group to operate an infrastructure to provide service to the public. Such arrangement involves the Group to develop, finance, operate, and maintain the public-service infrastructure for a specified period of time for a service fee. At the end of the service period, the Group is obliged to hand over the infrastructure to the Grantor in a specified condition for little or no incremental consideration.

Such service concession arrangement is governed by a contract between the Group and the relevant Grantor which sets out, inter alia, performance standards, the mechanism for service fee adjustment, specific obligations of the Group for the maintenance of the infrastructure and arrangement for arbitrating disputes.

A service concession arrangement is classified as a financial asset model under HK(IFRIC)-Int 12 and is recognised as a financial asset – *Receivables under a service concession arrangement* when (a) the Group has an unconditional right to receive cash or another financial asset from, or at the direction of, the Grantor for the construction service rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the Grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the Grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and the specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. During the period of construction of the infrastructures, the relevant portion of consideration of construction services rendered included in the receivables under service concession arrangements is accounted for as "contract assets". Upon completion of construction, the relevant portion of consideration of construction services rendered included in the receivables under a service concession arrangement is accounted for as financial assets under the accounting policy for "financial assets at amortised cost".

A service concession arrangement is classified as an intangible asset model under HK(IFRIC)-Int 12 and is recognised as an intangible asset – *Operating concession rights* when the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent to the extent that the public uses the service. During the period of construction of the infrastructures, the relevant portion of consideration of construction services rendered included in the operating concession rights is accounted for as "contract assets" and "intangible assets (other than goodwill)". Upon completion of construction, the relevant portion of consideration of construction services rendered included in operating concession rights is accounted for as "intangible assets (other than goodwill)".

If the Group is paid partly by a financial asset and partly by an intangible asset, in such case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

2.4 Summary of Significant Accounting Policies (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are subsequently amortised over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Amortisation of operating concession rights other than a toll road is provided on the straight-line basis to write off their costs over the concession periods of the respective service concession arrangements.

Amortisation of a toll road is provided to write off the costs on a unit-of-usage basis where the amortisation is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the service concession periods. It is the Group's policy to review regularly, the projected total traffic volume throughout the concession periods of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (equity investment), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Finance assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investment)

Upon initial recognition, the Group can elect to classify irrevocably its equity investment as equity investment designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investment designated at fair value through other comprehensive income is not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due from the end of the credit term. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the general approach in calculating ECLs with policies as described above.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

The Group's financial liabilities include payables, accruals and other liabilities, amounts due to non-controlling equity holders of subsidiaries, lease liabilities and bank and other borrowings.

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings, and lease liabilities)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the expected credit loss allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Put option on non-controlling interests in a subsidiary

The Group has put option agreements to acquire remaining equity interest held by the non-controlling shareholders of a subsidiary. When the Group has not acquired a present ownership over the equity interest under the put option, the non-controlling interest continues to receive an allocation of profit or loss. At the end of each reporting date, the non-controlling interest is derecognised as if it was acquired at the end of each of the reporting date. The put option is recognised in the consolidated statement of financial position as financial liability at the present value of the amount payable when it is exercised. The difference between the carrying amount of the put option and the carrying amount of non-controlling interest derecognised is recorded in other reserve.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour, and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 Summary of Significant Accounting Policies (continued)

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred revenue account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Depending on the terms of the contract and the laws that apply to the contract, control of the assets may be transferred over time or at a point of time.

The Group satisfied a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

- The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

If none of the above conditions are met, the Group recognises revenue at the point in time at which the performance obligation is satisfied.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation and the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

When the Group provides more than one service in a contract, the transaction price will be allocated to each performance obligation by reference to their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(a) Construction services income and income from water pipeline installation

Revenue is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction and installation services.

(b) Water distribution income

Revenue is recognised either when the water is supplied to customers or over the service period, depending on the terms of the contracts and the laws that apply to the contracts.

With respect to the water distribution to Hong Kong, revenue is recognised over the service period for the supply of a target volume of water; and with respect to the water distribution to the PRC, revenue is recognised at the point in time when the control of the water is transferred to the customers which generally coincide with delivery of water sold.

(c) Income from provision of sewage treatment services

Revenue is recognised over the service period when the customers simultaneously receive and consume the benefits over the period of services rendered by the Group.

(d) Income from sale of properties

Revenue is recognised at the point in time when the customer obtains the physical possession or the legal title of the completed properties and the Group has present right to payment and the collection of the consideration is probable.

(e) Income from sale of goods, machineries, electricity and steam

Revenue is recognised at the point in time when the control of the assets are transferred to the customers which generally coincide with delivery and acceptance of the assets sold.

(f) Commission income from concessionaire sales

Commission income is recognised at the point in time when the control of goods is passed to customers by department stores which generally coincide with delivery and acceptance of the assets sold.

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(g) *Income from toll road and bridge operation*
Revenue is recognised over the period upon the passage of vehicles through the expressway.

(h) *Income from hotel operation*
Revenue is recognised over the period in which such services have been rendered when the customers simultaneously receive and consume the benefits over the period of services rendered by the Group.

(i) Income from property management, hotel management, road and bridge management and consultancy services
Revenue is recognised over the period in which the related services are rendered when customers receive and consume the benefits over the period of services rendered by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Finance income from service concession arrangements is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract. (i.e., transfers control of the related goods or services to the customer).

2.4 Summary of Significant Accounting Policies (continued)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Share-based arrangements

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based arrangements, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a binomial model, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based arrangements, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 Summary of Significant Accounting Policies (continued)

Share-based arrangements (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its eligible employees. Contributions are made based on a percentage of the employees' basic salaries/relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer mandatory contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are proportionately refunded to the Group upon the employee's termination of services in accordance with the vesting scales of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes (the "CP Schemes") operated by the respective local municipal governments. These subsidiaries are required to contribute certain percentages of their payroll costs to the CP Schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the CP Schemes.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries and associates operating in Mainland China are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, cash flows of subsidiaries operating in Mainland China are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(a) Determining the timing of satisfaction of construction services

The Group concluded that revenue for construction services is to be recognised over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

The Group determined that the input method is the best method in measuring the progress of the construction services because there is a direct relationship between the Group's effort and the transfer of services to the customer. The Group recognises revenue on the basis of the actual costs incurred relative to the estimated total costs to complete the services.

(b) Principal versus agent considerations

The Group enters into contracts with its customers to acquire the goods consigned by the suppliers at the Group's department stores. Under these contracts, the Group provides consignment services. The Group determined that it does not control the goods before they are transferred to customers, and it does not have the ability to direct the use of the goods or obtain benefits from the goods. The following factors indicate that the Group does not control the goods before they are being transferred to customers. Therefore, the Group determined that it is an agent in these contracts.

(i) The Group does not have inventory risk before or after the specified goods have been transferred to the customer as the specified goods are consigned by the suppliers only; and

(ii) The Group has no discretion in establishing the price for the specified goods. The Group's consideration in these contracts is only based on the difference between the price purchased by the customer and the final price negotiated by the Group with the suppliers.

In addition, the Group concluded that it transfers control over its services (i.e., arranging for the provision of the goods from the suppliers), at a point in time, upon receipt by the customer of the goods, because this is when the customer benefits from the Group's agency service.

(c) Determining whether the loyalty points provide material rights to customers

The Group's department store operation segment operates a loyalty points programme, which allows customers to accumulate points when they purchase products in the Group's department stores. The points can be redeemed as cash dollars, subject to a minimum number of points obtained. The Group assessed whether the loyalty points provide a material right to the customer that needs to be accounted for as a separate performance obligation.

The Group determined that the loyalty points provide a material right that the customer would not receive without entering into the contract. The cash dollars the customer would receive by exercising the loyalty points do not reflect the stand-alone selling price that a customer without an existing relationship with the Group would pay for those products. The customers' right also accumulates as they purchase additional products.

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

(ii) Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

(iii) Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group determined not to exercise the termination option of certain leases and included the periods covered by that option as part of the non-cancellable term of the lease due to the termination penalties involved.

(iv) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(v) Classification between investment properties and properties held for sale

The Group determines whether a property qualifies as an investment property or a property held for sale, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

Properties held for sale are properties held by the Group with intention for sale in the Group's ordinary course of business. Judgement is made on an individual property basis to determine whether properties are classified as investment properties or properties held for sale.

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

(vi) Investment properties under development

Properties under construction or development for future use as investment properties are classified as investment properties under development. If the fair value cannot be reliably determined, the investment properties under development will be measured at cost until such time as fair value can be reliably determined.

The Group has to exercise judgement in determining when the fair value of investment properties under development can be reliably measured, which might include the consideration of (i) whether the construction permits have been obtained; (ii) whether the development plans have been approved; and (iii) whether the remaining construction cost can be accurately estimated. Other indications may also be appropriate in light of the facts and circumstances of individual developments.

(vii) Impairment of assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(viii) Classification between intangible assets or financial assets and property, plant and equipment under service concession arrangements

The Group makes judgement in determining whether a service concession arrangement is classified as an intangible asset or financial asset in accordance with HK(IFRIC)-Int 12, or as property, plant and equipment in accordance with HKAS 16. For a service concession arrangement where (a) the Grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the Grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement, no property, plant and equipment is recognised.

The Group further determines whether a financial asset exists to the extent that (a) it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the Grantor; and (b) the Grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group will otherwise recognise a service concession arrangement as an intangible asset if the above conditions are not fulfilled.

(ix) Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax

The Group has investment properties located in the PRC which are measured at fair value. Investment property is property held to earn rentals or for capital appreciation or both. In considering whether the presumption in HKAS 12 Income Taxes that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale. The presumption is rebutted only in the circumstance that there is sufficient evidence such as a historical transaction, future development plan and management's intention to demonstrate that the investment property is held with the objective to consume substantially all of the economic benefits over time, rather than through sale. Continuous assessments on the presumption will be made by management at each reporting date.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Estimation of fair values of investment properties

The best evidence of fair value is current prices in an active market for similar lease terms and other contracts. In the absence of such information, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices;

(c) discounted cash flow projections, based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows; and

(d) income capitalisation approach, which is based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile.

The carrying amount of investment properties at fair value as at 31 December 2019 was HK$15,334,441,000 (2018: HK$12,833,039,000).

(ii) Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances. The carrying amount of property, plant and equipment, excluding construction in progress, as at 31 December 2019 was HK$6,382,880,000 (2018: HK$6,635,684,000).

(iii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2019 was HK$574,242,000 (2018: HK$301,883,000) in aggregate. Further details of impairment test of goodwill are set out in note 16 to the financial statements.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

(iv) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(v) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Intangible assets with indefinite lives are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(vi) Land appreciation tax

Under the Detailed Rules for the Implementation of Provisional Regulations on Land Appreciation Tax ("LAT"), all gains arising from the transfer of real estate properties in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Group that recorded sales of property assets in Mainland China are subject to LAT, which has been included in income tax. However, the implementation of LAT varies amongst various Mainland China cities and the Group has not finalised certain of its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact income tax and provisions for LAT in the period in which such determination is made.

(vii) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses as at 31 December 2019 was HK$40,328,000 (2018: HK$38,170,000). The amount of unrecognised tax losses as at 31 December 2019 was HK$1,102,531,000 (2018: HK$1,045,885,000). Further details are set out in note 29 to the financial statements.

(viii) Deferred tax liabilities of withholding taxes

Deferred tax liabilities are recognised in respect of the unremitted earnings of the PRC subsidiaries and associates generated subsequent to 1 January 2008, except to the extent that the parent or investor is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, which is based upon the estimated timing of dividend distribution. The carrying amount of deferred tax liabilities in respect of withholding tax as at 31 December 2019 was HK$799,137,000 (2018: HK$723,446,000).

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

(ix) Progress of construction contracts

The Group recognises revenue from construction contracts in relation to the service concession arrangements according to the progress of the respective contracts. The Group's management estimates the progress of the construction based on the actual cost incurred over the total budgeted cost, where corresponding contract revenue is also estimated by management. Because of the nature of the activity undertaken, the date at which the activity is entered into and the date when the activity is completed may fall into different accounting periods, the Group reviews and revises the estimates of both the contract revenue and the contract costs in the budget prepared for each construction contract as the contract progresses.

(x) Fair value of operating concession rights and receivables under service concession arrangements

The Group recognises consideration received or receivable as a financial asset or an intangible asset at the fair value of the service concession arrangements.

The estimation of the consideration of a service concession arrangement as a financial asset or an intangible asset, where applicable, requires the Group to make an estimate of a number of factors, which include, inter alia, the fair value of the construction services provided, if applicable, expected level of services to be provided by the Group over the service concession period, guaranteed receipts and unguaranteed receipts, and an appropriate discount rate in order to calculate the present value of these cash flows. These estimates are determined by the Group's management based on its experience and assessment on current and future market conditions. The carrying amounts of operating concession rights and receivables under service concession arrangements as at 31 December 2019 were HK$13,889,229,000 (2018: HK$13,047,462,000) and HK$4,564,949,000 (2018: HK$1,464,719,000), respectively.

(xi) Estimation of net realisable values of properties held for sale under development and completed properties held for sale

The Group assesses the carrying amounts of properties held for sale under development and completed properties held for sale according to their estimated net realisable value based on the realisability of these properties, taking into account construction costs to completion based on committed contracts, the existing development plans and the estimation of selling prices of the properties of comparable locations and conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The carrying amounts of properties held for sale under development and completed properties held for sale as at 31 December 2019 were HK$6,624,204,000 (2018: HK$5,831,502,000) and HK$3,980,357,000 (2018: HK$5,053,081,000), respectively.

(xii) Estimation of total budgeted costs and costs to completion for properties held for sale under development and investment properties under development

Total budgeted costs for properties held for sale under development and investment properties under development comprise (i) prepaid land lease payments; (ii) building costs; and (iii) any other direct costs attributable to the development of the properties. In estimating the total budgeted costs for properties held for sale under development and investment properties under development, management makes reference to information such as (i) current offers from contractors and suppliers; (ii) recent offers agreed with contractors and suppliers; and (iii) professional estimation on construction and material costs.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

(xiii) Purchase price allocation

The Group applies acquisition accounting to transactions that meet the definition of business combinations. This requires the Group to allocate the acquisition consideration to identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition. Management estimations are required to determine the fair values of assets acquired and liabilities assumed, and the related deferred tax liabilities arising from fair value adjustments at the date of acquisition. The fair values of assets and liabilities acquired on the acquisition dates are set out in note 34 to the financial statements.

(xiv) Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs and the carrying amounts of the Group's trade receivables and contract assets are disclosed in note 23 and note 18(c) to the financial statements, respectively.

4. Operating Segment Information

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

(i) The water resources segment engages in water distribution, sewage treatment, and construction of water supply and sewage treatment infrastructure for customers in 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 and sale of properties in Mainland China. This segment also provides property management services to certain commercial properties;

(iii) The department store operation segment operates department stores, which engages in sale of goods and concessionaire sales, 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 provides hotel management services to certain third parties' hotels in Hong Kong and Mainland China;

(vi) The road and bridge segment invests in road and bridge projects, which engages in toll road operation and road management in Mainland China; and

(vii) The "others" segment provides treasury services in 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 bank interest income, gain on bargain purchase, interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost, changes in fair value of financial assets at fair value through profit or loss, finance costs (other than interest on lease liabilities) and share of profits less losses of associates are excluded from such measurement.

4. Operating Segment Information (continued)

Segment assets exclude deferred tax assets, tax recoverable, pledged bank deposits, cash and cash equivalents, restricted bank balances, financial assets at fair value through profit or loss, equity investment designated at fair value through other comprehensive income, other financial assets at amortised cost and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, tax payables, deferred tax liabilities, a loan 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.

(a) Operating segments

	Water resources		Property investment and development		Department store operation	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue						
Revenue from external customers	**9,470,077**	8,235,422	**3,942,474**	1,654,263	**665,100**	716,497
Intersegment sales	**–**	–	**106,267**	130,229	**–**	–
Other income and gains from external sources	**33,123**	23,544	**3,861**	1,235	**66,640**	72,118
Other income from intersegment transactions	**1,457**	3,035	**8,745**	1,725	**–**	–
Total	**9,504,657**	8,262,001	**4,061,347**	1,787,452	**731,740**	788,615
Segment results	**4,462,493**	4,179,049	**1,605,018**	1,148,017	**182,732**	185,754
Bank interest income						
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost						
Changes in fair value of financial assets at fair value through profit or loss						
Gain on bargain purchase	**–**	–	**–**	296,737	**–**	–
Finance costs						
Share of profits less losses of associates	**96,737**	99,320	**–**	–	**3,964**	8,123
Profit before tax						
Income tax expense						
Profit for the year						

4. Operating Segment Information (continued)

(a) Operating segments (continued)

	Electric power generation		Hotel operation and management		Road and bridge	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Segment revenue						
Revenue from external customers	**1,224,791**	1,312,672	**618,384**	692,786	**770,383**	751,960
Intersegment sales	**222,522**	226,675	**–**	–	**–**	–
Other income and gains from external sources	**34,338**	32,755	**671**	333	**43,968**	18,519
Other income from intersegment transactions	**–**	–	**–**	–	**–**	–
Total	**1,481,651**	1,572,102	**619,055**	693,119	**814,351**	770,479
Segment results	**357,949**	221,803	**94,852**	138,624	**534,486**	489,844
Bank interest income						
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost						
Changes in fair value of financial assets at fair value through profit or loss						
Gain on bargain purchase	**–**	–	**–**	–	**–**	–
Finance costs						
Share of profits less losses of associates	**112,178**	29,142	**51**	12	**–**	–
Profit before tax						
Income tax expense						
Profit for the year						

4. Operating Segment Information (continued)

(a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue						
Revenue from external customers	**–**	–	**–**	–	**16,691,209**	13,363,600
Intersegment sales	**–**	–	**(328,789)**	(356,904)	**–**	–
Other income and gains from external sources	**842**	1,140	**–**	–	**183,443**	149,644
Other income from intersegment transactions	**4,520**	5,808	**(14,722)**	(10,568)	**–**	–
Total	**5,362**	6,948	**(343,511)**	(367,472)	**16,874,652**	13,513,244
Segment results	**(206,083)**	(295,623)	**2,547**	1,714	**7,033,994**	6,069,182
Bank interest income					**254,255**	165,232
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost					**273,800**	337,612
Changes in fair value of financial assets at fair value through profit or loss					**(37,689)**	39,250
Gain on bargain purchase	**–**	–	**–**	–	**–**	296,737
Finance costs					**(255,867)**	(149,964)
Share of profits less losses of associates	**–**	–	**–**	–	**212,930**	136,597
Profit before tax					**7,481,423**	6,894,646
Income tax expense					**(1,835,040)**	(1,393,558)
Profit for the year					**5,646,383**	5,501,088

4. Operating Segment Information (continued)

(a) Operating segments (continued)

	Water resources		Property investment and development		Department store operation	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**20,539,872**	15,354,265	**29,269,462**	28,863,058	**522,121**	133,404
Investments in associates	**2,825,583**	2,465,918	**–**	–	**193,516**	150,469
Unallocated assets						
Total assets						
Segment liabilities	**3,097,603**	2,058,744	**4,495,527**	3,322,071	**1,341,558**	881,210
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	**1,023,020**	1,040,963	**60,734**	63,266	**33,015**	21,223
Exchange differences, net	**(51,270)**	(148,715)	**(102,017)**	(102,217)	**4,384**	8,287
Reversal of impairment losses for trade receivables, net	**(3,159)**	(222)	**–**	–	**(42)**	(123)
Reversal of impairment on an investment in an associate	**–**	–	**–**	–	**–**	–
Reversal of impairment on property, plant and equipment	**–**	–	**–**	–	**–**	–
Changes in fair value of investment properties	**(173)**	–	**(181,651)**	(230,102)	**9,484**	–
Gain on bargain purchase	**–**	–	**–**	(296,737)	**–**	–
Loss/(gain) on disposal of property, plant and equipment, net	**(2,936)**	1,216	**667**	(13)	**169**	748
Capital expenditure*	**2,528,052**	341,771	**395,093**	1,262,531	**166,900**	14,187

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

4. Operating Segment Information (continued)

(a) Operating segments (continued)

	Electric power generation		Hotel operation and management		Road and bridge	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**2,423,294**	2,600,628	**2,000,859**	1,860,656	**3,645,339**	3,057,294
Investments in associates	**1,114,547**	1,056,953	**3,337**	3,361	**–**	–
Unallocated assets						
Total assets						
Segment liabilities	**403,232**	585,790	**167,307**	188,879	**426,599**	182,634
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	**121,419**	121,356	**117,017**	108,749	**172,100**	172,233
Exchange differences, net	**(16,987)**	(36,460)	**3,410**	5,811	**(9,448)**	(20,489)
Reversal of impairment losses for trade receivables, net	**(11)**	–	**(269)**	–	**–**	–
Reversal of impairment on an investment in an associate	**(46,026)**	–	**–**	–	**–**	–
Reversal of impairment on property, plant and equipment	**–**	–	**(15,634)**	–	**–**	–
Changes in fair value of investment properties	**–**	–	**–**	–	**–**	–
Gain on bargain purchase	**–**	–	**–**	–	**–**	–
Loss/(gain) on disposal of property, plant and equipment, net	**–**	–	**380**	4,527	**8**	1,960
Capital expenditure*	**30,138**	102,239	**83,647**	142,252	**64,751**	3,655

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

4. Operating Segment Information (continued)

(a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**17,990**	9,182	**(7,650)**	–	**58,411,287**	51,878,487
Investments in associates	**–**	–	**–**	–	**4,136,983**	3,676,701
Unallocated assets					**13,876,224**	17,627,256
Total assets					**76,424,494**	73,182,444
Segment liabilities	**134,161**	153,461	**–**	–	**10,065,987**	7,372,789
Unallocated liabilities					**15,665,514**	16,349,206
Total liabilities					**25,731,501**	23,721,995
Other segment information:						
Depreciation and amortisation	**1,925**	1,077	**–**	–	**1,529,230**	1,528,867
Exchange differences, net	**91,942**	175,426	**(2,546)**	(1,713)	**(82,532)**	(120,070)
Reversal of impairment losses for trade receivables, net	**–**	–	**–**	–	**(3,481)**	(345)
Reversal of impairment on an investment in an associate	**–**	–	**–**	–	**(46,026)**	–
Reversal of impairment on property, plant and equipment	**–**	–	**–**	–	**(15,634)**	–
Changes in fair value of investment properties	**–**	–	**–**	–	**(172,340)**	(230,102)
Gain on bargain purchase	**–**	–	**–**	–	**–**	(296,737)
Loss/(gain) on disposal of property, plant and equipment, net	**(2)**	(24)	**–**	–	**(1,714)**	8,414
Capital expenditure*	**5,403**	333	**(5,841)**	–	**3,268,143**	1,866,968

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

4. 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 2019 and 2018.

	2019 HK$'000	2018 HK$'000
Revenue from external customers		
Hong Kong	**233,097**	279,053
Mainland China	**16,458,112**	13,084,547
	16,691,209	13,363,600

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

	2019 HK$'000	2018 HK$'000
Non-current assets		
Hong Kong	**2,368,604**	2,348,044
Mainland China	**47,636,980**	40,955,988
	50,005,584	43,304,032

The non-current asset information above is based on the locations of the assets and excludes equity investment designated at fair value through other comprehensive income and deferred tax assets.

(c) Information about a major customer

Revenue of approximately HK$4,807,000,000 (2018: HK$4,792,590,000) 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.

5. Revenue, Other Income and Gains

Revenue

(i) Disaggregated revenue information

	2019 HK$'000	2018 HK$'000
(a) Types of goods or services:		
Water resources segment		
Income from water distribution – Hong Kong	4,807,000	4,792,590
Income from water distribution – the PRC	2,288,024	2,183,695
Income from sewage treatment services	202,445	109,637
Income from construction services	1,249,659	762,453
Income from water pipeline installation and consultancy services	566,984	312,827
Income from sale of machineries	230,072	30,397
Property investment and development segment		
Sale of properties	2,529,243	309,434
Management fee income	206,762	213,084
Department store operation segment		
Commission income from concessionaire sales	587,158	642,890
Sale of goods	77,942	73,607
Electric power generation segment		
Sale of electricity and steam	1,224,791	1,312,672
Hotel operation and management segment		
Hotel income	597,569	664,017
Management fee income	20,815	28,769
Road and bridge segment		
Toll revenue	754,134	745,300
Management fee income	16,249	6,660
Revenue from contracts with customers	15,358,847	12,188,032
Revenue from other sources		
Property investment and development segment		
Rental income	1,206,469	1,131,745
Water resources segment		
Finance income from service concession arrangements	125,893	43,823
Total revenue	16,691,209	13,363,600

5. Revenue, Other Income and Gains (continued)

Revenue (continued)

(i) Disaggregated revenue information (continued)

	2019 HK$'000	2018 HK$'000
(b) Geographical locations*:		
Mainland China		
Water resources segment	**9,344,184**	8,191,599
Property investment and development segment	**2,736,005**	522,518
Department store operation segment	**665,100**	716,497
Electric power generation segment	**1,224,791**	1,312,672
Hotel operation and management segment	**444,480**	470,591
Road and bridge segment	**770,383**	751,960
	15,184,943	11,965,837
Hong Kong		
Hotel operation and management segment	**173,904**	222,195
Revenue from contracts with customers	**15,358,847**	12,188,032
Revenue from other sources		
Rental income	**1,206,469**	1,131,745
Finance income from service concession arrangements	**125,893**	43,823
	16,691,209	13,363,600

* *The geographical location is based on the location of which the services were rendered or goods were delivered from.*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Water distribution

With respect to the water distribution to Hong Kong, the performance obligation is satisfied when the supply of water is rendered over the service period and payment is generally due within 30 days from the date of billing.

With respect to the water distribution to the PRC, the performance obligation is satisfied upon the supply of water to customers and payment is generally due within 60 days from the date of billing.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Water pipeline installation and consultancy services

The performance obligation is satisfied over time as services are rendered. The payment is generally due within 30 days to 90 days from the date of billing.

Sewage treatment services

The performance obligation is satisfied over time as services are rendered. The payment is generally due within 90 days from the date of billing.

Toll road and bridge operation services

The performance obligation is satisfied over time upon the passage of vehicles through the expressway. The payment is generally due upon the passage.

Management services

The performance obligation is satisfied over time as services are rendered. The payment is generally due within 30 days from the date of billing.

5. Revenue, Other Income and Gains (continued)

Revenue (continued)

(ii) Performance obligations (continued)

Hotel operation

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. The payment is generally due upon the services are rendered.

Sale of electricity and steam

The performance obligation is satisfied upon supply of the electricity and steam. The payment is generally due within 30 days from the date of billing.

Sale of goods and commission income from concessionaire sales

The performance obligation is satisfied upon delivery of the goods at the Group's department stores to customers and payment is generally due upon delivery.

Sale of machineries

The performance obligation is satisfied upon delivery and acceptance of the machineries by the customers. The payment is generally due within 30 days from the date of billing.

Sale of properties

The performance obligation is satisfied when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) with an original expected duration of one year or more as at 31 December 2019 are as follows:

	2019 HK$'000	2018 HK$'000
Expected to be recognised within one year	**12,081,249**	7,583,983
Expected to be recognised after one year	**20,231,364**	16,911,961
	32,312,613	24,495,944

The amounts of transaction prices associated with unsatisfied or partially unsatisfied performance obligations do not include variable consideration that is constrained.

For all other contracts, in which the performance obligations are expected to be recognised as revenue with an original expected duration of one year or less, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Other income and gains

	2019 HK$'000	2018 HK$'000
Bank interest income	**254,255**	165,232
Interest income from financial assets at fair value through profit or loss and other financial assets at amortised cost	**273,800**	337,612
Interest income from receivables under a cooperative arrangement	**35,915**	12,731
Changes in fair value of financial assets at fair value through profit or loss	**(37,689)**	39,250
Others	**147,528**	136,913
	673,809	691,738
Gain on bargain purchase *(note 34)*	**–**	296,737
	673,809	988,475

6. Profit Before Tax

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

	Notes	2019 HK$'000	2018 HK$'000
Cost of inventories sold*		**1,055,969**	1,249,343
Cost of services rendered*		**3,950,476**	3,183,453
Cost of properties sold*		**1,875,426**	251,327
Depreciation of property, plant and equipment	13	**428,196**	504,463
Recognition of prepaid land lease payments	15(a)	**–**	12,227
Depreciation of right-of-use assets	15(b)	**50,026**	–
Amortisation of operating concession rights*	18(a)	**1,051,008**	1,012,177
Reversal of impairment losses for trade receivables, net^	23	**(3,481)**	(345)
Reversal of impairment on an investment in an associate^	17	**(46,026)**	–
Reversal of impairment on property, plant and equipment^	13	**(15,634)**	–
Minimum lease payments under operating leases in respect of land and buildings		**–**	106,760
Lease payments not included in the measurement of lease liabilities	15(d)	**49,386**	–
Contingent rents under operating leases		**–**	16,140
Auditor's remuneration		**12,585**	10,359
Employee benefit expenses:			
Wages and salaries (excluding directors' fee)		**1,427,088**	1,206,070
Equity-settled share option benefits		**–**	109
Pension scheme contributions		**161,532**	177,298
Less: Forfeited contributions		**(54)**	(128)
Net pension scheme contributions#		**161,478**	177,170
Less: Amount capitalised		**(100,203)**	(47,303)
		1,488,363	1,336,046
Gross rental income from investment properties		**(1,204,717)**	(1,151,415)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**159,127**	158,020
Net rental income from investment properties		**(1,045,590)**	(993,395)
Loss/(gain) on disposal of items of property, plant and equipment, net^		**(1,714)**	8,414
Government subsidies**^		**(48,791)**	(18,936)

* *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 2019 and 2018, 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/(expenses), net" on the face of the consolidated statement of profit or loss.*

7. Finance Costs

An analysis of finance costs is as follows:

	2019 HK$'000	2018 HK$'000
Interest on bank and other borrowings	**286,850**	146,690
Interest on loan from the ultimate holding company *(note 38(a)(v))*	**–**	749
Interest on loans from fellow subsidiaries *(note 38(a)(vi))*	**16,215**	20,940
Interest on lease liabilities *(note 15(c))*	**34,004**	–
Finance costs incurred	**337,069**	168,379
Less: Interest capitalised	**(47,354)**	(18,415)
Finance costs charged for the year	**289,715**	149,964

The capitalised interest rates applied to funds borrowed and used for the development of properties held for sale, investment properties under development and construction in progress are between 4.75% and 4.90% per annum (2018: between 5.46% and 6.65% per annum).

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 HK$'000	2018 HK$'000
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**3,619**	3,619
Non-executive directors	**–**	–
	3,619	3,619
Other emoluments:		
Salaries, allowances and benefits in kind	**5,074**	5,152
Performance related bonuses	**2,563**	3,044
Pension scheme contributions	**428**	572
Less: Forfeited contributions	**–**	–
Net pension scheme contributions	**428**	572
Equity-settled share option benefits, net	**–**	56
Total directors' remuneration	**11,684**	12,443

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 HK$'000	2018 HK$'000
CHAN Cho Chak, John	**749**	749
LI Kwok Po, David	**718**	770
FUNG Daniel Richard	**700**	700
CHENG Mo Chi, Moses	**700**	700
WU Ting Yuk, Anthony	**752**	700
	3,619	3,619

There were no other emoluments to the independent non-executive directors during the year (2018: Nil).

8. Directors' Remuneration (continued)

(b) Executive directors and other non-executive directors

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Performance related bonuses HK$'000	Net pension scheme contributions HK$'000	Total HK$'000
2019					
Executive directors:					
HOU Wailin#	–	–	–	–	–
HUANG Xiaofeng*	–	–	–	–	–
WEN Yinheng	–	1,931	1,159	308	3,398
HO LAM Lai Ping, Theresa	–	1,722	770	60	2,552
TSANG Hon Nam	–	1,421	634	60	2,115
	–	5,074	2,563	428	8,065
Non-executive directors:					
CAI Yong	–	–	–	–	–
ZHANG Hui^	–	–	–	–	–
ZHAO Chunxiao	–	–	–	–	–
LAN Runing	–	–	–	–	–
LI Wai Keung	–	–	–	–	–
	–	5,074	2,563	428	8,065

\# *Appointed as Executive Director of the Company on 5 June 2019.*

* *Resigned as Executive Director of the Company on 5 June 2019.*

^ *Retired as a Non-Executive Director of the Company on 17 June 2019.*

8. Directors' Remuneration (continued)

(b) Executive directors and other non-executive directors (continued)

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Performance related bonuses HK$'000	Net pension scheme contributions HK$'000	Total HK$'000
2018					
Executive directors:					
HUANG Xiaofeng	–	–	–	–	–
WEN Yinheng	–	1,142	1,887	452	3,481
HO LAM Lai Ping, Theresa	–	2,176	683	60	2,919
TSANG Hon Nam	–	1,834	474	60	2,368
	–	5,152	3,044	572	8,768
Non-executive directors:					
CAI Yong	–	–	–	–	–
ZHANG Hui	–	–	–	–	–
ZHAO Chunxiao	–	–	–	–	–
LAN Runing	–	–	–	–	–
LI Wai Keung	–	–	–	–	–
	–	5,152	3,044	572	8,768

In addition to the above, for the year ended 31 December 2018, the amount of equity-settled share option benefits recognised and allocated to directors of the Company were as follows: (1) HK$11,000 to Mr. Huang Xiaofeng; (2) HK$6,000 to Mr. Wen Yinheng; (3) HK$5,000 to Mrs. Ho Lam Lai Ping, Theresa; (4) HK$5,000 to Mr. Tsang Hon Nam; (5) HK$9,000 to Mr. Zhang Hui; (6) HK$10,000 to Ms. Zhao Chunxiao; and (7) HK$10,000 to Mr. Li Wai Keung, with a total amount of HK$56,000 being recognised in the statement of profit or loss. The aforementioned "equity-settled share option benefits" represent the aggregate of the amortised fair value of share options granted to directors of the Company over the vesting period that were charged to the statement of profit or loss.

9. Five Highest Paid Employees

The five highest paid employees during the year included three (2018: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the other two (2018: three) highest paid employees who are not directors of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**1,691**	2,368
Performance related bonuses	**3,147**	5,423
Equity-settled share option benefits	**–**	10
Pension scheme contributions	**107**	192
	4,945	7,993

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2019	2018
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**1**	2
HK$2,500,001 – HK$3,000,000	**1**	–
HK$3,000,001 – HK$3,500,000	**–**	1
	2	3

10. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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%. Land appreciation tax ("LAT") has been provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation values, with certain allowable deductions.

	2019 HK$'000	2018 HK$'000
Current – Hong Kong		
Charge for the year	**10,751**	18,150
Overprovision in prior years	**(100)**	(197)
Current – Mainland China		
Charge for the year	**2,275,387**	1,606,010
Under/(over) provision in prior years	**4,194**	(73,701)
Deferred tax *(note 29)*	**(455,192)**	(156,704)
Total tax charge for the year	**1,835,040**	1,393,558

10. Income Tax Expense (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2019					
	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	855,529		6,625,894		7,481,423	
Tax at the statutory tax rates	141,162	16.5	1,656,473	25.0	1,797,635	24.0
Lower tax rates for specific provinces or enacted by local authority	–	–	(72,038)	(1.1)	(72,038)	(1.0)
Adjustments in respect of current tax of previous periods	(100)	–	4,194	0.1	4,094	0.1
Profits attributable to associates	–	–	(52,252)	(0.8)	(52,252)	(0.7)
Income not subject to tax	(258,469)	(30.2)	(85,138)	(1.3)	(343,607)	(4.6)
Expenses not deductible for tax	123,874	14.5	63,741	1.0	187,615	2.5
Effect of withholding tax at 5% on the distributable profits on the Group's PRC subsidiaries	–	–	167,452	2.5	167,452	2.2
Tax losses utilised from previous periods	–	–	(3,573)	(0.1)	(3,573)	–
Tax losses not recognised	3,606	0.4	50,612	0.8	54,218	0.7
LAT in Mainland China	–	–	575,044	8.7	575,044	7.7
Release of deferred LAT liabilities	–	–	(303,071)	(4.6)	(303,071)	(4.1)
LAT deductible for calculation of income tax	–	–	(133,226)	(2.0)	(133,226)	(1.7)
Recognition of previously unrecognised tax losses	(1,431)	(0.2)	(2,400)	–	(3,831)	(0.1)
Temporary difference not recognised	–	–	(38,717)	(0.6)	(38,717)	(0.5)
Others	5,492	0.7	(6,195)	(0.1)	(703)	–
Tax charge at the Group's effective rates	14,134	1.7	1,820,906	27.5	1,835,040	24.5

10. Income Tax Expense (continued)

	2018					
	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	1,169,373		5,725,273		6,894,646	
Tax at the statutory tax rates	192,947	16.5	1,431,318	25.0	1,624,265	23.6
Lower tax rates for specific provinces or enacted by local authority	–	–	(56,327)	(1.0)	(56,327)	(0.8)
Adjustments in respect of current tax of previous periods	(197)	–	(73,701)	(1.3)	(73,898)	(1.1)
Profits attributable to associates	–	–	(27,089)	(0.5)	(27,089)	(0.4)
Income not subject to tax	(273,259)	(23.4)	(229,451)	(4.0)	(502,710)	(7.3)
Expenses not deductible for tax	108,927	9.3	59,999	1.0	168,926	2.5
Effect of withholding tax at 5% on the distributable profits on the Group's PRC subsidiaries	–	–	179,232	3.1	179,232	2.6
Tax losses utilised from previous periods	–	–	(27,691)	(0.5)	(27,691)	(0.4)
Tax losses not recognised	3,008	0.3	55,258	1.0	58,266	0.8
LAT in Mainland China	–	–	84,264	1.5	84,264	1.2
Release of deferred LAT liabilities	–	–	(88,694)	(1.5)	(88,694)	(1.3)
LAT deductible for calculation of income tax	–	–	(15,155)	(0.3)	(15,155)	(0.2)
Recognition of previously unrecognised tax losses	–	–	(2,520)	–	(2,520)	–
Recognition of previously unrecognised temporary difference	–	–	(45,379)	(0.8)	(45,379)	(0.7)
Temporary difference not recognised	–	–	123,864	2.2	123,864	1.8
Others	5,077	0.4	(10,873)	(0.2)	(5,796)	(0.1)
Tax charge at the Group's effective rates	36,503	3.1	1,357,055	23.7	1,393,558	20.2

11. Dividends

	2019 HK$'000	2018 HK$'000
Interim – HK17.3 cents (2018: HK16.0 cents) per ordinary share	**1,131,043**	1,046,051
Proposed final – HK40.5 cents (2018: HK37.5 cents) per ordinary share	**2,648,000**	2,452,000
	3,779,043	3,498,051

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.

12. 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:

	2019 HK$'000	2018 HK$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	**5,044,370**	5,015,119

	Number of shares	
	2019	2018
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,537,821,440**	6,537,821,440
Effect of dilution of share options – weighted average number of ordinary shares assumed to have been issued at nil consideration	**–**	2,464,466
Weighted average number of ordinary shares during the year used in the diluted earnings per share calculation	**6,537,821,440**	6,540,285,906

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2019 in the calculation of diluted earnings per share as there were no potential dilutive ordinary shares during the year ended 31 December 2019.

13. Property, Plant and Equipment

	Hotel properties HK$'000	Land and buildings HK$'000	Tunnels, dams, water mains, reservoirs and pipelines HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2019:									
Cost	2,685,512	1,991,235	1,129,377	4,212,624	532,772	383,328	49,663	382,202	11,366,713
Accumulated depreciation and impairment	(1,158,012)	(723,880)	(151,720)	(1,613,859)	(422,262)	(252,121)	(26,973)	–	(4,348,827)
Net carrying amount	1,527,500	1,267,355	977,657	2,598,765	110,510	131,207	22,690	382,202	7,017,886
At 1 January 2019, net of accumulated depreciation and impairment	1,527,500	1,267,355	977,657	2,598,765	110,510	131,207	22,690	382,202	7,017,886
Additions	756	1,571	2,274	28,544	54,880	30,165	5,024	422,382	545,596
Acquisition of subsidiaries (note 34)	–	8,302	131,474	2,056	2,347	–	3,738	1,050	148,967
Disposals and write-offs	(103)	(621)	–	(740)	(6,929)	(41)	(241)	(8,968)	(17,643)
Surplus on revaluation	132,690	268,130	–	–	–	45,022	–	–	445,842
Depreciation provided during the year *(note 6)*	(73,519)	(83,174)	(44,904)	(170,746)	(22,463)	(28,666)	(4,724)	–	(428,196)
Transfer and reclassification	–	61,564	36,520	204,745	2,432	16,876	–	(322,137)	–
Transfer to investment properties *(note 14)*	(290,546)	(368,651)	–	–	–	(68,316)	–	–	(727,513)
Transfer to operating concession rights *(note 18(a))*	–	–	(17,391)	–	–	–	–	–	(17,391)
Reversal of impairment *(note 6)*	15,634	–	–	–	–	–	–	–	15,634
Exchange realignment	(16,767)	(22,947)	(26,554)	(55,278)	(3,076)	(898)	(253)	(9,370)	(135,143)
At 31 December 2019, net of accumulated depreciation and impairment	1,295,645	1,131,529	1,059,076	2,607,346	137,701	125,349	26,234	465,159	6,848,039
At 31 December 2019:									
Cost	2,329,382	1,916,962	1,237,670	4,372,338	569,814	348,584	55,077	465,159	11,294,986
Accumulated depreciation and impairment	(1,033,737)	(785,433)	(178,594)	(1,764,992)	(432,113)	(223,235)	(28,843)	–	(4,446,947)
Net carrying amount	1,295,645	1,131,529	1,059,076	2,607,346	137,701	125,349	26,234	465,159	6,848,039

13. Property, Plant and Equipment (continued)

	Hotel properties HK$'000	Land and buildings HK$'000	Tunnels, dams, water mains, reservoirs and pipelines HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2018:									
Cost	2,773,934	2,177,778	869,271	4,281,020	690,839	348,710	47,213	334,461	11,523,226
Accumulated depreciation and impairment	(1,121,880)	(675,684)	(84,438)	(1,455,606)	(428,035)	(243,884)	(29,138)	–	(4,038,665)
Net carrying amount	1,652,054	1,502,094	784,833	2,825,414	262,804	104,826	18,075	334,461	7,484,561
At 1 January 2018, net of accumulated depreciation and impairment	1,652,054	1,502,094	784,833	2,825,414	262,804	104,826	18,075	334,461	7,484,561
Additions	937	50,371	34,030	14,512	582	51,780	9,512	322,078	483,802
Acquisition of a subsidiary *(note 34)*	–	–	–	–	4,616	–	20	–	4,636
Disposals and write-offs	(4,124)	(2,256)	–	(1,669)	(3,138)	(44)	(288)	(4,790)	(16,309)
Surplus on revaluation	–	78,729	–	–	–	–	–	–	78,729
Depreciation provided during the year *(note 6)*	(75,072)	(86,453)	(62,299)	(228,821)	(24,905)	(24,488)	(2,425)	–	(504,463)
Transfer and reclassification	–	7,168	259,456	107,508	(113,950)	–	–	(260,182)	–
Transfer to investment properties *(note 14)*	–	(225,485)	–	–	–	–	–	–	(225,485)
Exchange realignment	(46,295)	(56,813)	(38,363)	(118,179)	(15,499)	(867)	(2,204)	(9,365)	(287,585)
At 31 December 2018, net of accumulated depreciation and impairment	1,527,500	1,267,355	977,657	2,598,765	110,510	131,207	22,690	382,202	7,017,886
At 31 December 2018:									
Cost	2,685,512	1,991,235	1,129,377	4,212,624	532,772	383,328	49,663	382,202	11,366,713
Accumulated depreciation and impairment	(1,158,012)	(723,880)	(151,720)	(1,613,859)	(422,262)	(252,121)	(26,973)	–	(4,348,827)
Net carrying amount	1,527,500	1,267,355	977,657	2,598,765	110,510	131,207	22,690	382,202	7,017,886

As at 31 December 2019, property ownership certificates of certain buildings with a net carrying value of HK$81,321,000 (2018: HK$174,082,000) have not been issued. The Group is in the process of obtaining the certificates.

14. Investment Properties

	Completed at fair value HK$'000	Under development at fair value HK$'000	Under development at cost HK$'000	Total HK$'000
Carrying amount at 1 January 2018	10,867,026	1,497,409	3,673,337	16,037,772
Additions	17,607	56,391	624,388	698,386
Borrowing costs capitalised	–	–	10,337	10,337
Acquisition of a subsidiary *(note 34)*	483,929	–	–	483,929
Net gains/(losses) from fair value adjustments	235,568	(5,466)	–	230,102
Transfer from property, plant and equipment, net *(note 13)*	225,485	–	–	225,485
Exchange realignment	(474,217)	(70,693)	(191,927)	(736,837)
Carrying amount at 31 December 2018 and 1 January 2019 (as previously reported)	**11,355,398**	**1,477,641**	**4,116,135**	**16,949,174**
Effect on adoption of HKFRS 16	**178,317**	**–**	**–**	**178,317**
At 1 January 2019 (restated)	**11,533,715**	**1,477,641**	**4,116,135**	**17,127,491**
Additions	**7,741**	**128,393**	**211,508**	**347,642**
Borrowing costs capitalised	**–**	**–**	**86**	**86**
Acquisition of subsidiaries *(note 34)*	**22,564**	**–**	**–**	**22,564**
Net gains from fair value adjustments	**104,308**	**68,032**	**–**	**172,340**
Transfer from property, plant and equipment, net *(note 13)*	**727,513**	**–**	**–**	**727,513**
Transfer from right-of-use assets *(note 15(b))*	**151,348**	**–**	**–**	**151,348**
Transfer from investment properties under development ("IPUD") at cost to IPUD at fair value	**–**	**1,416,578**	**(1,416,578)**	**–**
Exchange realignment	**(241,382)**	**(62,010)**	**(68,019)**	**(371,411)**
Carrying amount at 31 December 2019	**12,305,807**	**3,028,634**	**2,843,132**	**18,177,573**

As at 31 December 2019, completed investment properties with carrying amounts of HK$363,255,000 (2018: HK$412,009,000) were pledged to a bank as securities for bank borrowings granted to a subsidiary of the Group (note 27).

Included in the above IPUD was a land parcel located in Shenzhen. This IPUD was carried at cost less any accumulated impairment losses as the directors were of the opinion that its fair value could not be reliably determined and therefore measured at cost in the consolidated statement of financial position as at 31 December 2018.

During the year ended 31 December 2019, after considering the finalised and approved construction plan, the Group has concluded that the fair value for a portion of this IPUD can be reliably measured and transferred from cost model to fair value model with a carrying amount of HK$1,416,578,000 at the time of transfer.

On an annual basis, the Group engages an external, independent and professionally qualified valuer to determine the fair values of the Group's investment properties. As at 31 December 2019, the fair values have been determined by Vigers Appraisal & Consulting Limited, at an aggregate amount of HK$15,334,441,000 (2018: HK$12,833,039,000) on an open market, existing use basis.

The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

Certain investment properties are leased to third parties, Guangdong Holdings, GDH Limited and certain fellow subsidiaries under operating leases, further summary details of which are included in notes 15, 38(a) and 39(B)(b) to the financial statements.

Further particulars of the Group's investment properties are included on page 188.

14. Investment Properties (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Warehouse properties	–	–	19,301	19,301
Residential/non-residential properties	–	–	12,134	12,134
Commercial properties	–	–	11,893,249	11,893,249
Investment properties under development	–	–	3,028,634	3,028,634
Hotel properties	–	–	381,123	381,123
	–	–	15,334,441	15,334,441

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Warehouse properties	–	–	16,811	16,811
Residential/non-residential properties	–	–	11,504	11,504
Commercial properties	–	–	11,327,083	11,327,083
Investment properties under development	–	–	1,477,641	1,477,641
	–	–	12,833,039	12,833,039

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

Reconciliation of fair value measurement categorised within Level 3 of the fair value hierarchy:

	Warehouse properties HK$'000	Residential/ non-residential properties HK$'000	Commercial properties HK$'000	Investment properties under development HK$'000	Hotel properties HK$'000	Total HK$'000
Carrying amount at 1 January 2018	16,556	11,293	10,839,177	1,497,409	–	12,364,435
Additions	–	–	17,607	56,391	–	73,998
Acquisition of a subsidiary	–	–	483,929	–	–	483,929
Net gains/(losses) from fair value adjustments	1,054	758	233,756	(5,466)	–	230,102
Transfer from property, plant and equipment, net	–	–	225,485	–	–	225,485
Exchange realignment	(799)	(547)	(472,871)	(70,693)	–	(544,910)
Carrying amount at 31 December 2018 and at 1 January 2019 (as previously reported)	16,811	11,504	11,327,083	1,477,641	–	12,833,039
Effect on adoption of HKFRS 16	–	–	178,317	–	–	178,317
At 1 January 2019 (restated)	16,811	11,504	11,505,400	1,477,641	–	13,011,356
Additions	–	–	7,741	128,393	–	136,134
Acquisition of subsidiaries	–	–	22,564	–	–	22,564
Net gains from fair value adjustments	2,912	898	100,498	68,032	–	172,340
Transfer from property, plant and equipment, net	–	–	368,651	–	358,862	727,513
Transfer from right-of-use assets	–	–	125,671	–	25,677	151,348
Transfer from IPUD at cost to IPUD at fair value	–	–	–	1,416,578	–	1,416,578
Exchange realignment	(422)	(268)	(237,276)	(62,010)	(3,416)	(303,392)
Carrying amount at 31 December 2019	19,301	12,134	11,893,249	3,028,634	381,123	15,334,441

14. Investment Properties (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range 2019	2018
Commercial properties located in Hong Kong:				
Office	Income approach,more specifically, a term and reversion approach	Passing rent (per sq.ft. and per month)	**HK$22 to HK$36**	HK$22 to HK$36
		Market rent (per sq.ft. and per month)	**HK$32 to HK$35**	HK$34 to HK$36
		Term yield	**4%**	4%
		Market yield	**4.5%**	4.5%
Retail	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.ft. and per month)	**HK$110**	HK$110
		Market rent (per sq.ft. and per month)	**HK$106**	HK$110
		Term yield	**6%**	6%
		Market yield	**6.85%**	6.75%
Hotel properties located in Hong Kong	Income capitalisation method	Market yield	**6%**	–
		Estimated net income (per annum)	**HK$33,000,000 to HK$50,000,000**	–
Commercial properties located in Mainland China:				
Office	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.m. and per month)	**HK$74 to HK$113**	HK$72 to HK$115
		Market rent (per sq.m. and per month)	**HK$74 to HK$113**	HK$72 to HK$115
		Term yield	**7%**	7%
		Market yield	**8%**	8%
Retail	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.m. and per month)	**HK$37 to HK$520**	HK$38 to HK$475
		Market rent (per sq.m. and per month)	**HK$39 to HK$530**	HK$40 to HK$489
		Term yield	**4.5% to 5.5%**	4.5% to 5.5%
		Market yield	**5% to 6%**	5% to 6%
Retail	Income approach, more specifically, a term and reversion approach	Net market rent (per sq.m. and per month)	**HK$22 to HK$318**	–
		Discount rate	**4.9%**	–
Office	Market approach	Market price (per sq.m.)	**HK$28,500 to HK$36,500**	HK$28,400 to HK$36,400
Retail	Market approach	Market price (per sq.m.)	**HK$64,600 to HK$124,000**	HK$64,900 to HK$124,200
Retail	Income capitalisation method	Market yield	**5%**	5%
		Estimated rental per month (per sq.m.)	**HK$52 to HK$442**	HK$80 to HK$348

14. Investment Properties (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties: (continued)

	Valuation techniques	Significant unobservable inputs	Range 2019	2018
Hotel properties located in Mainland China	Income capitalisation method	Market yield	**5.5% to 7.5%**	–
		Estimated net income (per annum)	**HK$16,000,000 to HK$29,000,000**	–
Warehouse properties	Market approach	Estimated land value (per sq.m.)	**HK$755 to HK$1,308**	HK$405 to HK$458
	Depreciated replacement cost method	Estimated cost of construction (per sq.m.)	**HK$2,493 to HK$2,957**	HK$2,518 to HK$2,987
Investment properties under development:				
Retail	Income approach, more specifically, a residual approach	Gross development value (per sq.m.)	**HK$27,300 to HK$30,100**	HK$27,400 to HK$30,800
		Estimated construction cost (per sq.m.)	**HK$7,300 to HK$7,800**	HK$7,400 to HK$8,000
		Developer's profit	**23%**	23%
Car Parking Space	Income approach, more specifically, a residual approach	Gross development value (per unit)	**HK$111,600 to HK$186,400**	HK$114,100 to HK$190,600
		Estimated construction cost (per sq.m.)	**HK$4,500**	HK$4,600
		Developer's profit	**23%**	23%
The Northern land of the GDH City Project	Income approach, more specifically, a residual approach	Market yield for gross development value	**4% to 4.5%**	–
		Estimated construction cost (per sq.m.)	**HK$7,740**	–
		Developer's profit	**20%**	–

The term and reversion approach

Under the term and reversion approach, fair value is estimated on the basis of capitalisation of existing rental income and reversionary market rental income potential.

The market rentals of the investment properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rents are assessed by reference to the rentals achieved in the investment properties as well as other lettings of similar properties in the neighbourhood. The market yield, which is the capitalisation rate adopted, is made by reference to the yields derived from analysing the leasing and sales transactions of similar properties and adjusted to take account of the valuers' knowledge of the market expectation from property investors to reflect factors specific to the Group's investment properties.

The key inputs were the market rent and the market yield, which a significant increase/decrease in the market rent in isolation would result in a significant increase/decrease in the fair value of the investment properties and a significant increase/decrease in the market yield in isolation would result in a significant decrease/increase in the fair value of the investment properties.

The market approach

Under the market approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the investment properties, which included the location, size, shape, view, floor level, year of completion and others factors collectively, to arrive at the price per square metre.

The key input was the price per square metre, in which a significant increase/decrease in the price would result in a significant increase/decrease in the fair value of the investment properties.

14. Investment Properties (continued)

The residual approach

Under the residual approach, fair value is estimated on the basis of the gross development value of the investment properties by reference to their development potential deducting various costs, such as construction cost, contingency cost, finance cost and professional fees that will be expended to complete the development as well as the developer's profit to reflect the risks associated with the development of the investment property and the quality of the completed development.

The gross development value is arrived at by making reference to the sales transactions or asking price evidences of comparable properties as available in the market with adjustments made to account for any differences and where appropriate.

The key inputs were the gross development value, market yield for the gross development value, construction cost and developer's profit, which a significant increase/decrease in the gross development value in isolation would result in a significant increase/decrease in the fair value of the investment properties and a significant increase/decrease in the market yield for the gross development value, construction cost and developer's profit in isolation would result in a significant decrease/increase in the fair value of the investment properties.

A combination of the market and depreciated replacement cost approaches

The warehouse properties were assessed by adopting a combination of the market and depreciated replacement cost approaches in assessing the land portions of the properties and the buildings and structures standing on the land. The sum of the two results represents the market value of the properties as a whole. In the valuation of the land portions, reference has been made to the standard land price in Shenzhen, Guangdong, the PRC. As the nature of the buildings and structures cannot be valued on the basis of market value; they have therefore been valued on the basis of their depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for properties in the absence of a known market based on comparable sales.

Market approach is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

A significant increase/decrease in the land value and estimated cost of construction would result in a significant increase/decrease in the fair values of completed investment properties.

Income capitalisation method

Income capitalisation method is based on the capitalisation of the reversionary income potential by adopting appropriate market yield rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations.

The prevailing market rents adopted in the valuation were made reference to valuers' view of recent lettings, within the subject properties and other comparable properties. An increase in rent would cause an increase in the fair value.

Market yield rate is estimated based on the risk profile of the properties being valued. An increase in rates would cause a decrease in the fair value.

For hotel properties, the income capitalisation method is based on the capitalisation of the historical achievable income and current possible net income by adopting appropriate market yield rates, which are derived from analysing the transactions of similar properties and valuers' interpretation of prevailing investor requirements or expectations.

The key inputs were the net income and the market yield rates, which a significant increase/decrease in the net income in isolation would result in a significant increase/decrease in the fair value of the investment properties and a significant increase/decrease in the market yield rates in isolation would result in a significant decrease/increase in the fair value of the investment properties.

15. Leases

The Group as lessee

The Group has lease contracts for properties used in its operations. Leases of properties generally have lease periods of 2 to 20 years. Lump sum payments were made upfront by the Group to acquire the leased land from the owners with lease periods of 21 to 50 years, and no ongoing payments will be made under the terms of these land leases.

(a) Prepaid land lease payments (before 1 January 2019)

	HK$'000
Carrying amount at 1 January 2018	275,582
Additions	59,083
Amortisation recognised during the year *(note 6)*	(12,227)
Exchange realignment	(15,614)
Carrying amount at 31 December 2018	306,824

As at 31 December 2018, land use right certificates of certain leasehold land with a carrying value of HK$83,659,000 have not been issued. The Group is in the process of obtaining the certificates.

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Right-of-use assets		
	Properties HK$'000	Prepaid land lease payments HK$'000 *(note)*	Total HK$'000
Carrying amount at 1 January 2019	**316,094**	**306,824**	**622,918**
Additions	**164,882**	**–**	**164,882**
Acquisition of subsidiaries *(note 34)*	**–**	**529**	**529**
Transfer to investment properties	**(125,671)**	**(25,677)**	**(151,348)**
Depreciation charge during the year *(note 6)*	**(36,586)**	**(13,440)**	**(50,026)**
Surplus on revaluation	**–**	**13,519**	**13,519**
Lease modification	**(1,240)**	**–**	**(1,240)**
Exchange realignment	**(7,210)**	**(5,344)**	**(12,554)**
Carrying amount at 31 December 2019	**310,269**	**276,411**	**586,680**

Note:

As at 31 December 2019, land use right certificates of certain leasehold land with a carrying value of HK$78,595,000 have not been issued. The Group is in the process of obtaining the certificates.

15. Leases (continued)

The Group as lessee (continued)

(c) ***Lease liabilities***

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 HK$'000
Carrying amount at 1 January	549,857
New leases	164,882
Accretion of interest recognised during the year *(note 7)*	34,004
Payments	(59,396)
Lease modification	(1,353)
Exchange realignment	(15,160)
Carrying amount at 31 December	672,834
Analysed into:	
Current portion	42,663
Non-current portion	630,171

The maturity analysis of lease liabilities is disclosed in note 43 to the financial statements.

(d) ***The amounts recognised in profit or loss in relation to leases are as follows:***

	2019 HK$'000
Interest on lease liabilities	34,004
Depreciation charge of right-of-use assets	50,026
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	29,399
Variable lease payments not included in the measurement of lease liabilities	19,987
Total amount recognised in profit or loss	133,416

(e) The total cash outflow for leases is disclosed in note 35(d) to the financial statements.

15. Leases (continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of properties in Hong Kong and the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$1,206,469,000 (2018: HK$1,131,745,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**923,384**	892,993
After one year but within two years	**602,064**	603,158
After two years but within three years	**337,568**	287,874
After three years but within four years	**162,270**	140,700
After four years but within five years	**111,519**	88,742
After five years	**188,604**	91,005
	2,325,409	2,104,472

16. Goodwill

	2019 HK$'000	2018 HK$'000
Cost and net carrying amount at 1 January	**301,883**	303,605
Acquisition of subsidiaries *(note 34)*	**285,228**	–
Exchange realignment	**(12,869)**	(1,722)
Cost and net carrying amount at 31 December	**574,242**	301,883

Impairment testing of goodwill

The carrying amounts of goodwill acquired through business combinations have been allocated to the relevant cash-generating units of the corresponding business operations for impairment testing, which are summarised as follows:

	2019 HK$'000	2018 HK$'000
Water distribution operations	**487,262**	273,752
Sewage treatment operations	**86,980**	28,131
	574,242	301,883

16. Goodwill (Continued)

Water distribution operations

The recoverable amount of individual or groups of water distribution cash-generating units has been determined based on a value in use calculation using cash flow projections approved by the Company's directors covering the remaining concession periods of 11 to 34 years (2018: 12 to 25 years). The discount rates applied to the cash flow projections range from 8% to 12% (2018: 7% to 10%).

The cash flow projections have been prepared based on the actual results of the relevant individual or groups of water distribution cash-generating units for the years ended 31 December 2019 and 2018. Cash flows for each of the water distribution cash-generating units depend principally on the pricing and volume of water distributed. Revenue from the water supply to the Hong Kong Special Administrative Region ("HKSAR") during the cash flow projection period is based on the latest Hong Kong Water Supply Agreement entered in 2017 where the annual water revenue receivable from the HKSAR for the years 2018, 2019 and 2020 are HK$4,792.59 million, HK$4,807.00 million and HK$4,821.41 million, respectively. No growth in the revenue from the water supply to the HKSAR is extrapolated beyond 2020 (no growth in the revenue was considered solely for the purposes of the impairment test to arrive at a conservative projection of cash flows and does not reflect the forecasted long-term industry growth or the Group's expectation of the business performance). Revenue for other projects is projected at growth rates of 2% to 6% per annum (2018: 4% to 6% per annum) over the projection periods. Operating expenses are expected to increase by 1% to 10% per annum (2018: 1% to 10% per annum) during the projection periods.

Sewage treatment operations

The recoverable amount of individual or groups of the sewage treatment cash-generating units has been determined based on a value in use calculation using cash flow projections approved by the Company's directors covering the remaining concession periods of 4 to 46 years (2018: 13 to 25 years). The discount rates applied to the cash flow projections range from 10% to 11% (2018: 10%). The cash flow projections have been prepared based on the actual historical results of the relevant individual or groups of sewage treatment cash-generating units. Cash flows for each of the sewage treatment cash-generating units depend principally on the pricing and volume of the waste water treated. Revenue is projected with growth rates of 2% to 5% per annum (2018: 2% to 5% per annum) over the projection periods. Operating expenses are expected to increase by 2% to 7% per annum (2018: 3% to 7% per annum) during the projection periods.

Based on the results of the impairment test of goodwill, in the opinion of the directors, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2019 (2018: Nil).

17. Investments in Associates

	2019 HK$'000	2018 HK$'000
Share of net assets	**4,075,092**	3,655,344
Goodwill on acquisition	**141,208**	146,700
	4,216,300	3,802,044
Less: Impairment	**(79,317)**	(125,343)
	4,136,983	3,676,701

The Group's receivable/payable balances from/to associates are disclosed in notes 23, 25 and 38(d) to the financial statements.

17. Investments in Associates (Continued)

The movement in the impairment of investment in an associate is as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**125,343**	125,343
Reversal of impairment *(note 6)*	**(46,026)**	–
At 31 December	**79,317**	125,343

In prior years, full impairment of HK$125,343,000 was made as the carrying amount of the investment in an associate which was engaged in the power supply operation exceeded its recoverable amount and management considered that the whole amount was not recoverable.

During the year ended 31 December 2019, a reversal of impairment was made upon return of capital from that associate of HK$46,026,000 (2018: Nil).

Particulars of material associates are as follows:

Company	Registered and paid-up capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Guangdong Yudean Jinghai Power Generation Co., Ltd. ("Yudean Jinghai")	RMB2,919,272,000	Mainland China	25%	Power plant operation
汕頭市粵海水務有限公司 (Shantou Guangdong Water Company Limited▲) ("Shantou Water Co")	RMB2,949,849,600	Mainland China	49%	Water distribution and waterworks construction operation

Yudean Jinghai and Shantou Water Co, which are considered as material associates of the Group, engage in power supply operation and water distribution and waterworks construction operation, respectively, and are accounted for using the equity method.

17. Investments in Associates (Continued)

The following table illustrates the summarised financial information of Yudean Jinghai, adjusted for any differences in accounting policies and fair value adjustments and reconciled to the carrying amount in the consolidated financial statements:

	2019 HK$'000	2018 HK$'000
Current assets	**1,053,988**	1,373,165
Non-current assets, excluding goodwill	**8,523,776**	9,377,213
Goodwill on acquisition of the associate	**17,570**	17,570
Current liabilities	**(2,169,989)**	(3,024,853)
Non-current liabilities	**(3,019,867)**	(3,567,994)
Net assets	**4,405,478**	4,175,101
Net assets, excluding goodwill	**4,387,908**	4,157,531
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**25%**	25%
Group's share of net assets of the associate, excluding goodwill	**1,096,977**	1,039,383
Goodwill on acquisition	**17,570**	17,570
Carrying amount of the investment	**1,114,547**	1,056,953
Dividend received	**30,312**	62,122
Revenue	**5,454,784**	5,716,188
Profit for the year	**448,713**	116,568
Other comprehensive loss for the year	**(97,088)**	(201,689)
Total comprehensive income/(loss) for the year	**351,625**	(85,121)

The following table illustrates the summarised financial information in respect of Shantou Water Co and its subsidiaries ("Shantou Water Group"), adjusted for any differences in accounting policies and fair value adjustments and reconciled to the carrying amount in the consolidated financial statements:

	2019 HK$'000	2018 HK$'000
Current assets	**2,284,867**	2,201,459
Non-current assets, excluding goodwill	**1,778,012**	1,846,256
Goodwill on acquisition of the associate	**90,347**	92,370
Current liabilities	**(173,618)**	(92,870)
Non-current liabilities	**(299,504)**	(295,421)
Net assets	**3,680,104**	3,751,794
Net assets, excluding goodwill	**3,589,757**	3,659,424
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the associate, excluding goodwill	**1,745,184**	1,776,527
Goodwill on acquisition	**90,347**	92,370
Carrying amount of the investment	**1,835,531**	1,868,897
Dividend received	**39,375**	1,727
Revenue	**446,148**	454,660
Profit for the year	**84,090**	95,920
Other comprehensive loss for the year	**(67,697)**	(132,363)
Total comprehensive income/(loss) for the year	**16,393**	(36,443)

17. Investments in Associates (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2019 HK$'000	2018 HK$'000
Share of the associates' profits less losses for the year	**59,548**	60,454
Share of the associates' other comprehensive loss	**(28,002)**	(19,337)
Share of the associates' total comprehensive income	**31,546**	41,117
Aggregate carrying amount of the Group's investments in the associates	**1,186,905**	750,851

18. Service Concession Arrangements

(a) Operating concession rights

	Water distribution operations HK$'000 *(note (i))*	Road and bridge operation HK$'000 *(note (ii))*	Total HK$'000
At 1 January 2019:			
Cost	**24,836,879**	**3,019,004**	**27,855,883**
Accumulated amortisation and impairment	**(14,335,917)**	**(472,504)**	**(14,808,421)**
Net carrying amount	**10,500,962**	**2,546,500**	**13,047,462**
At 1 January 2019, net of accumulated amortisation and impairment	**10,500,962**	**2,546,500**	**13,047,462**
Additions	**211,440**	**55,359**	**266,799**
Acquisitions of subsidiaries *(note 34)*	**1,771,077**	**–**	**1,771,077**
Amortisation during the year *(note 6)*	**(882,791)**	**(168,217)**	**(1,051,008)**
Transfer from property, plant and equipment *(note 13)*	**17,391**	**–**	**17,391**
Exchange realignment	**(108,785)**	**(53,707)**	**(162,492)**
At 31 December 2019, net of accumulated amortisation and impairment	**11,509,294**	**2,379,935**	**13,889,229**
At 31 December 2019:			
Cost	**26,721,645**	**3,007,215**	**29,728,860**
Accumulated amortisation and impairment	**(15,212,351)**	**(627,280)**	**(15,839,631)**
Net carrying amount	**11,509,294**	**2,379,935**	**13,889,229**

18. Service Concession Arrangements (continued)

(a) Operating concession rights (continued)

	Water distribution operations HK$'000 *(note (i))*	Road and bridge operation HK$'000 *(note (ii))*	Total HK$'000
At 1 January 2018:			
Cost	24,770,153	3,165,760	27,935,913
Accumulated amortisation and impairment	(13,496,642)	(325,958)	(13,822,600)
Net carrying amount	11,273,511	2,839,802	14,113,313
At 1 January 2018, net of accumulated amortisation and impairment	11,273,511	2,839,802	14,113,313
Additions	126,492	303	126,795
Amortisation during the year *(note 6)*	(843,755)	(168,422)	(1,012,177)
Exchange realignment	(55,286)	(125,183)	(180,469)
At 31 December 2018, net of accumulated amortisation and impairment	10,500,962	2,546,500	13,047,462
At 31 December 2018:			
Cost	24,836,879	3,019,004	27,855,883
Accumulated amortisation and impairment	(14,335,917)	(472,504)	(14,808,421)
Net carrying amount	10,500,962	2,546,500	13,047,462

Notes:

(i) The operating concession rights of the Group's water distribution operations mainly arise from the operating concession of WaterCo, a subsidiary of GH Water Holdings, details of which are as follows:

Prior to the acquisition by the Group of an 81% interest in GH Water Holdings in 2000, WaterCo acquired the operating right from Guangdong Holdings to operate the water distribution business, which supplies natural water to the HKSAR, Shenzhen and Dongguan, for a period of 30 years commencing from 18 August 2000. The operating right also grants WaterCo a right and licence to take up to 2.423 billion cubic metres of natural water annually from the Dongjiang River at Qiaotou Township in Dongguan, the exclusive right to supply natural water to the HKSAR and the non-exclusive right to supply natural water to Shenzhen and Dongguan for a period of 30 years commencing from 18 August 2000 or such longer period as extended in accordance with the terms stipulated in a service concession agreement dated 18 August 2000 entered into between the Guangdong Provincial Government (the "GPG") and WaterCo (the "Concession Agreement"). Upon dissolution of WaterCo after the expiration of the operating period, WaterCo is required, at its cost and expense and without compensation, to return all of the assets related to the operating right to the GPG.

At 31 December 2019 and 2018, the Group held certain temporary land use right certificates for the existing water distribution operations issued by the Shenzhen and Dongguan Land Authorities in 2000. The procedures for the conversion from the temporary land use right certificates to the formal land use right certificates were in progress as at 31 December 2019. For the land related to the Phase IV Renovation Project on the water distribution operation facilities, the application for land use right certificates has been submitted and these land use right certificates were not yet issued by the relevant offices of the Land Authorities in the PRC as at 31 December 2019 and 2018.

At 31 December 2019 and 2018, the Group was in the process of applying for the change of registration of the title certificates with respect to certain land use rights of certain water distribution operation facilities, other than WaterCo, to which the Group's service concession arrangements relate.

Notwithstanding the above, the directors are of the opinion that the Group has obtained the beneficial titles to these land parcels as at 31 December 2019 and 2018 and the land use right certificates can be received.

18. Service Concession Arrangements (continued)

(a) Operating concession rights (continued)

Notes: (continued)

(ii) The operating concession rights of the Group's road and bridge operations mainly arise from the operating concession of GDH Highway, a subsidiary of Rosy Canton, details of which are as follows:

Prior to the acquisition by the Group of a 100% interest in Rosy Canton in 2015, GDH Highway was granted an operating right by 廣西壯族自治區交通廳 to operate a toll road, namely the Xingliu Expressway (興六高速公路) for a period of 30 years from 2003. Xingliu Expressway is located in the Guangxi Province and runs from Xingye County, Yulin City to Liujing Town, Hengxian County in Nanning City. At the expiry of the operating right, GDH Highway is required, at its cost and expense and without compensation, to return all of the assets relating to the operating right of the Xingliu Expressway to 廣西壯族自治區交通廳.

(b) Receivables under service concession arrangements

	2019 HK$'000	2018 HK$'000
Receivables under service concession arrangements	**4,564,949**	1,464,719
Portion classified as current assets	**(86,972)**	(13,223)
Non-current portion	**4,477,977**	1,451,496

Receivables under service concession arrangements were due from the Grantors in respect of the Group's water distribution and sewage treatment operations. As at 31 December 2019, bank loans of HK$1,220,013,000 are secured by the pledge of revenue entitlement under certain water distribution and sewage treatment concession arrangements (note 27).

(c) Contract assets

As at 31 December 2019, contract assets which are presented as operating concession rights and receivables under service concession arrangements amounted to HK$38,482,000 (31 December 2018: HK$40,651,000; 1 January 2018: HK$221,609,000) and HK$1,424,551,000 (31 December 2018: HK$700,719,000; 1 January 2018: HK$401,838,000), respectively.

Contract assets are initially recognised for revenue earned from the provision of construction services for the infrastructures during the period of construction under the service concession arrangements. Pursuant to the service concession agreements, the Group receives no payment from the Grantors during the construction period and receives service fees when relevant provision of water supply or sewage treatment are rendered. The receivables under service concession arrangements (including the contract assets therein) are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. Amounts billed will then be transferred to trade receivables (note 23). The increase in contract assets in 2019 and 2018 was the result of the increase in the ongoing service concession arrangements in the initial construction stage and more unbilled amounts at the end of each years were noted. The Group's trading terms and credit policy with customers are disclosed in note 23 to the financial statements.

(d) The expected credit loss rate for the Group's contract assets and receivables under service concession arrangements is minimal. No impairment loss was recognised by the Group as at 31 December 2019 in respect of these assets (2018: Nil).

19. Receivables Under a Cooperative Arrangement

Balance as at 31 December 2019 mainly represented an advance of RMB910,690,000 (equivalent to approximately HK$1,016,603,000) (2018: RMB272,522,000 (equivalent to approximately HK$311,029,000)) and accrued interest of RMB44,872,000 (equivalent to approximately HK$50,091,000) (2018: RMB11,395,000 (equivalent to approximately HK$13,005,000)) in respect of a public-private-partnership project for the development of certain public roads in Yinping Innovation Zone (the "Yinping PPP Project").

The advance and accrued interest income are unsecured, interest-bearing at 8% per annum and repayable in 10 annual installments from the acceptance of each public road. Further details of the Yinping PPP Project are set out in note 37(b) to the financial statements.

The balance relates to receivables which were not yet due. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

20. Properties Held for Sale Under Development and Completed Properties Held for Sale

The normal operating cycle of the Group's property development generally ranges from one to three years.

At the end of the reporting period, properties held for sale under development of HK$6,624,204,000 (2018: HK$5,831,502,000), which are expected to be completed within the normal operating cycle and classified as current assets, are expected to be recovered after twelve months from the end of the reporting period.

At the end of the reporting period, completed properties held for sale of HK$1,803,363,000 (2018: HK$3,566,882,000) was pledged to a bank as securities for bank borrowings granted to a subsidiary of the Group (note 27).

21. Equity Investment Designated at Fair Value Through Other Comprehensive Income/ Financial Assets at Fair Value Through Profit or Loss/Other Financial Assets at Amortised Cost

	Notes	**2019 HK$'000**	2018 HK$'000
Equity investment designated at fair value through other comprehensive income			
Non-current:			
Unlisted equity investment, at fair value	*(i)*	**10,146**	10,191
Financial assets at fair value through profit or loss			
Current:			
Unlisted wealth management products, at fair value	*(ii)*	**–**	7,399,210
Other financial assets at amortised cost			
Current:			
Unlisted wealth management products, at amortised cost	*(iii)*	**–**	1,597,820

Notes:

(i) The Group designated its investment in 廣州市八達工程有限公司 (Guangzhou Bada Engineering Co Company Limited▲), a company incorporated in the PRC, at fair value through other comprehensive income (non-recycling) as the investment is held for strategic purposes. No dividends were received on this investment during the year (2018: Nil). The tax effect for the fair value change during the year amounted to HK$45,000 (2018: HK$1,269,000).

(ii) Unlisted wealth management products were issued by banks in Mainland China and were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(iii) Unlisted wealth management products were issued by banks in Mainland China and were classified as other financial assets at amortised cost as these non-equity investments are held to collect contractual cash flows and their contractual cash flows are solely payments of principal and interest.

22. Inventories

	2019 HK$'000	2018 HK$'000
Raw materials	**187,059**	175,802
Finished goods	**12,571**	5,137
	199,630	180,939

23. Receivables, Prepayments and Other Receivables

	Notes	2019 HK$'000	2018 HK$'000
Trade receivables, net of impairment	*(i)*	**810,694**	616,140
Other receivables, prepayments and deposits	*(ii)*	**796,140**	635,799
Contract assets	*(iii)*	**136,136**	–
Contract costs	*(iv)*	**26,119**	–
Due from fellow subsidiaries	*38(d)*	**4,461**	4,209
Due from associates	*38(d)*	**2,191**	748
		1,775,741	1,256,896
Less: Portion classified as non-current assets		**(163,271)**	(137,905)
Current portion		**1,612,470**	1,118,991

Except for trade receivables as detailed below, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Notes:

(i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The various group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade receivables relate principally to the water distribution, sewage treatment and electricity supply businesses. The Group has a certain concentration of credit risk whereby 11% (2018: 14%) of the total trade receivables was due from one customer. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest bearing.

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the payment due date and net of loss allowance, is as follows:

	2019 HK$'000	2018 HK$'000
Current or less than 3 months past due	**734,731**	589,282
3 months to 6 months past due	**535**	2,299
6 months to 1 year past due	**5,499**	19,138
More than 1 year past due	**93,694**	11,021
	834,459	621,740
Less: Loss allowance	**(23,765)**	(5,600)
	810,694	616,140

23. Receivables, Prepayments and Other Receivables (continued)

Notes: (continued)

(i) *(continued)*

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	5,600	7,535
Acquisition of subsidiaries	23,348	–
Reversal of impairment losses, net *(note 6)*	(3,481)	(345)
Amount written off	(667)	(1,303)
Exchange realignment	(1,035)	(287)
At 31 December	23,765	5,600

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due			
	Current	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.06%	0.13%	5.81%	69.85%	2.85%
Gross carrying amount (HK$'000)	701,433	39,332	65,827	27,867	834,459
Expected credit losses (HK$'000)	422	50	3,827	19,466	23,765

As at 31 December 2018

		Past due			
	Current	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.01%	0.43%	4.71%	86.92%	0.90%
Gross carrying amount (HK$'000)	550,729	59,990	5,249	5,772	621,740
Expected credit losses (HK$'000)	80	256	247	5,017	5,600

(ii) *None of the assets in other receivables, prepayments and deposits is either past due or impaired. The financial assets included in the above balance relate to receivables for which there was no recent history of default. As at December 2019 and 2018, the loss allowance was assessed to be minimal.*

(iii) *Contract assets are initially recognised for revenue earned from the provision of water pipeline installation services as the services consideration is received conditional on completion of installation. Upon completion of installation and acceptance by the customers, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2019 was the result of the increase in the ongoing provision of installation services during the year.*

(iv) *Contract costs represented the sales commissions paid directly attributable to obtaining contracts.*

24. Cash and Cash Equivalents, Pledged Bank Deposits and Restricted Bank Balances

	Notes	2019 HK$'000	2018 HK$'000
Cash and bank balances	*(i)*	**4,484,546**	3,845,440
Non-pledged time deposits with:			
Original maturity of more than three months when acquired *(note 35(c))*		**3,398,552**	758,107
Original maturity of less than three months when acquired		**4,463,670**	3,041,574
Cash and cash equivalents as stated in the consolidated statement of financial position as at 31 December *(note 35(c))*	*(ii)*	**12,346,768**	7,645,121
Pledged bank deposits with:			
Original maturity of less than 1 year	*(iii)*	**42,895**	42,278
		12,389,663	7,687,399
Restricted bank balances	*(iv)*	**954,719**	641,314
Cash and cash equivalents, pledged bank deposits and restricted bank balances #		**13,344,382**	8,328,713

Notes:

(i) As at 31 December 2019, included in the balance represented bank deposits of RMB244,035,000 (equivalent to approximately HK$272,416,000) (2018: RMB29,998,000 (equivalent to approximately HK$34,237,000)) placed at a non-banking financial institution in the PRC, which is a fellow subsidiary of the Group (note 38(d)).

(ii) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

(iii) Balance at 31 December 2019 represented bank deposits pledged for an irrevocable guarantee issued by a bank in favour of a contractor in respect of the payment of the consideration of a construction contract of up to a maximum amount of HK$42,895,000 (2018: HK$42,278,000).

(iv) Balance at 31 December 2019 mainly represented pre-sale proceeds from and funds in relation to relocated households of the Group's completed properties held for sale and properties held for sale under development placed at designated bank accounts under supervision pursuant to relevant regulations in the PRC amounting to approximately HK$937,629,000 (2018: HK$603,964,000).

 # At the end of the reporting period, these balances included an amount of HK$8,454,557,000 (2018: HK$6,250,177,000) which was denominated in Renminbi ("RMB"). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. Payables, Accruals and Other Liabilities, and Contract Liabilities

(a) Payables, accruals and other liabilities

	Notes	**2019 HK$'000**	2018 HK$'000
Trade payables	*(i)*	**868,078**	776,698
Accruals, other payables and other liabilities		**4,321,233**	3,952,833
Put option on non-controlling interests in a subsidiary	*(ii)*	**542,648**	–
Deferred revenue		**253,900**	241,813
Due to the immediate holding company	*38(d)*	**27,084**	29,102
Due to the ultimate holding company	*38(d)*	**14,189**	3,092
Due to fellow subsidiaries	*38(d)*	**118,147**	548,860
Due to an associate	*38(d)*	**4,775**	45,312
Loans from a fellow subsidiary	*38(d)*	**–**	395,255
		6,150,054	5,992,965
Less: Portion classified as non-current liabilities	28	**(1,555,193)**	(937,138)
Current portion		**4,594,861**	5,055,827

Notes:

(i) An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	2019 HK$'000	2018 HK$'000
Within 3 months	**848,422**	769,335
3 months to 6 months	**4,496**	31
6 months to 1 year	**15,160**	7,332
	868,078	776,698

(ii) During the year ended 31 December 2019, the Group entered into agreements with the non-controlling equity holders of the Jiangxi Guangdong Group (as defined in note 34) pursuant to which the non-controlling equity holders have the right to sell the remaining 21% equity interest in the Jiangxi Guangdong Group owned by them (the "Put Option") to the Group at an agreed exercise price. The exercise price is primarily based on the acquisition price of the Jiangxi Guangdong Acquisition (as defined in note 34) and the expected future undistributed profit of the Jiangxi Guangdong Group. The Put Option is exercisable within six months after three years from the completion date of the Jiangxi Guangdong Acquisition upon fulfilment of certain conditions specified in the agreements.

The Group's payables, accruals and other liabilities are non-interest-bearing and are normally settled on 60-day terms.

25. Payables, Accruals and Other Liabilities, and Contract Liabilities (continued)

(b) Contract liabilities

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Advances received from customers			
Water distribution, sewage treatment and construction services	382,353	143,174	158,927
Sale of properties	2,291,143	1,106,110	57,847
Property management service	23,415	18,608	15,914
Sale of goods	371,352	346,996	282,631
Sale of electricity	8,183	6,260	15,345
Loyalty points programme	15,258	16,129	18,735
Total contract liabilities	3,091,704	1,637,277	549,399

Notes:

(i) Contract liabilities include advances received for the provision of water distribution, sewage treatment and construction services, property management service, and the sale of properties, goods and electricity, and a portion of the transaction price allocated to the loyalty points programme. The increase in contract liabilities in 2019 and in 2018 was mainly due to the increase in advances received from customers in relation to the pre-sale of properties during each of the years ended 31 December 2019 and 2018.

(ii) The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Water distribution, sewage treatment and construction services	118,495	96,249
Sale of properties	670,463	12,991
Property management service	18,541	15,754
Sale of goods and loyalty points programme	39,497	34,382
Sale of electricity	6,238	15,191
	853,234	174,567

26. Balances With Non-Controlling Equity Holders of Subsidiaries

The balances with non-controlling equity holders of subsidiaries are unsecured, non-interest-bearing and have no specific terms of repayment or are repayable with one year.

The carrying amounts of the balances with non-controlling equity holders of subsidiaries approximate their fair values.

27. Bank and Other Borrowings

	2019			2018		
	Effective interest rate	Maturity	HK$'000	Effective interest rate	Maturity	HK$'000
Current						
Bank loans – unsecured	**1.47% – 5.01%**	**2020**	**1,000,000**	0.60% – 4.90%	2019	1,013,696
Bank loans – secured	**4.41% – 5.23%**	**2020**	**354,307**	3.80% – 5.23%	2019	470,215
Other loans – unsecured	**2.33% – 3.84%**	**On demand**	**51,208**	2.33% – 3.84%	On demand	52,771
Other loans – unsecured	**–**	**On demand**	**11,498**	–	On demand	30,410
			1,417,013			1,567,092
Non-current						
Bank loans – unsecured	**1.41% – 4.51%**	**2021–2032**	**4,053,187**	1.39% – 4.90%	2020–2033	5,105,875
Bank loans – secured	**4.41% – 5.23%**	**2021–2039**	**2,595,971**	3.80% – 5.46%	2020–2023	2,041,786
Other loans – unsecured	**1.80% – 4.90%**	**2024–2035**	**71,107**	1.80% – 6.67%	2021–2035	142,254
			6,720,265			7,289,915
Total bank and other borrowings			**8,137,278**			8,857,007

27. Bank and Other Borrowings (continued)

	2019 HK$'000	2018 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year/on demand	**1,354,307**	1,483,911
In the second year	**4,721,565**	584,346
In the third to fifth years, inclusive	**1,330,696**	6,546,766
Over five years	**596,897**	16,549
	8,003,465	8,631,572
Other loans repayable:		
Within one year/on demand	**62,706**	83,181
In the third to fifth years, inclusive	**41,354**	69,555
Over five years	**29,753**	72,699
	133,813	225,435
Total bank and other borrowings	**8,137,278**	8,857,007
Less: Portion classified as current liabilities	**(1,417,013)**	(1,567,092)
Non-current portion	**6,720,265**	7,289,915

Notes:

(a) As at 31 December 2019 and 2018, all bank and other borrowings were denominated in Hong Kong dollars except for bank and other loans of HK$3,245,000,000 (2018: HK$2,800,000,000) were denominated in RMB.

(b) As at 31 December 2019, bank loans of HK$893,040,000 (2018: HK$1,713,091,000) are secured by the pledge of certain of the Group's completed properties held for sale and completed investment properties amounting to HK$1,803,363,000 (2018: HK$3,566,882,000) and HK$363,255,000 (2018: HK$412,009,000), respectively.

(c) As at 31 December 2019, the secured bank loans as mentioned in (b) included a bank loan of HK$893,040,000 (2018: HK$1,369,560,000) which is also secured by a pledge of 100% equity interest of a non-wholly-owned subsidiary.

(d) Pursuant to the relevant bank loan agreement, a bank borrowing of HK$837,225,000 (2018: HK$798,910,000) is secured by a pledged bank deposit account. As at 31 December 2019, there was nil cash and bank deposit in this designated account (2018: Nil).

(e) As at 31 December 2019, bank loans of HK$1,220,013,000 were secured by the pledge of revenue entitlement under certain water distribution and sewage treatment concession arrangements.

28. Other Liabilities

	Notes	2019 HK$'000	2018 HK$'000
Advance	*(i)*	**236,400**	354,600
Deferred revenue		**253,900**	227,149
Deposits received		**165,271**	167,864
Put option on non-controlling interests in a subsidiary	*25(a)(ii)*	**542,648**	–
Other payables and accruals	*(ii)*	**356,974**	180,677
Loans from a fellow subsidiary	*38(d)(iv)*	**–**	6,848
	25	**1,555,193**	937,138

Notes:

(i) In prior years, the Government of the HKSAR granted a loan facility with a principal amount of HK$2,364 million (the "Loan Facility") to the GPG for the purpose of the Phase IV Renovation Project. Pursuant to the Concession Agreement, the Loan Facility was utilised for the construction of the Phase IV Renovation Project. Upon the completion of the Phase IV Renovation Project during the year ended 31 December 2003, the Group acquired and recorded the assets of the Phase IV Renovation Project and assumed the repayment obligations of the Loan Facility from the GPG. The outstanding Loan Facility is settled through the deduction of future water revenue to be received by the Group from the Government of the HKSAR, by an annual amount of HK$118,200,000 for 20 years commencing from December 2003.

As at 31 December 2019, the aggregate carrying amount of the advance amounted to HK$354,600,000 (2018: HK$472,800,000), in which HK$236,400,000 (2018: HK$354,600,000) and HK$118,200,000 (2018: HK$118,200,000) were grouped in non-current liabilities and current liabilities, respectively.

(ii) As a result of the initial application of HKFRS 16, accrued lease payments of HK$1,187,000 previously included in "Other liabilities" were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2 to the financial statements for further details).

29. Deferred Tax

The movements in deferred tax liabilities and assets during the year were as follows:

Deferred tax liabilities

	2019							
	Fair value adjustments arising from acquisitions of subsidiaries HK$'000	Temporary differences related to service concession arrangements HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of investment properties HK$'000	Revaluation of property, plant and equipment HK$'000	Withholding tax levied on dividend HK$'000	Others HK$'000	Total HK$'000
At 31 December 2018 (as previously reported)	3,654,244	100,364	507,317	1,201,742	39,299	723,446	45,852	6,272,264
Effect on adoption of HKFRS 16	–	–	–	16,574	–	–	–	16,574
At 1 January 2019 (restated)	3,654,244	100,364	507,317	1,218,316	39,299	723,446	45,852	6,288,838
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)*	(575,766)	(448)	21,929	61,012	–	95,525	49,785	(347,963)
Deferred tax transferred to revaluation reserve	–	–	–	–	94,429	–	45	94,474
Acquisition of subsidiaries *(note 34)*	281,858	13,634	–	–	–	–	–	295,492
Exchange differences	(81,533)	(2,767)	(10,916)	(27,562)	(2,829)	(19,834)	(1,681)	(147,122)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2019	3,278,803	110,783	518,330	1,251,766	130,899	799,137	94,001	6,183,719

Deferred tax assets

	2019							
	Fair value adjustments arising from acquisitions of subsidiaries HK$'000	Depreciation expense in excess of related depreciation allowance HK$'000	Losses available for offsetting against future taxable profits HK$'000	Customer loyalty programme HK$'000	Provision and accruals HK$'000	Provisions for LAT HK$'000	Others HK$'000	Total HK$'000
At 31 December 2018 (as previously reported)	(1,324)	(1,406)	(38,170)	(4,032)	(51,577)	(101,880)	(53,630)	(252,019)
Effect on adoption of HKFRS 16	–	–	–	–	–	–	(31,557)	(31,557)
At 1 January 2019 (restated)	(1,324)	(1,406)	(38,170)	(4,032)	(51,577)	(101,880)	(85,187)	(283,576)
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)*	51	36	(2,986)	132	(78,666)	(11,663)	(14,133)	(107,229)
Acquisition of subsidiaries *(note 34)*	–	–	–	–	–	–	(3,442)	(3,442)
Exchange differences	28	30	828	86	2,555	2,446	2,326	8,299
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December 2019	(1,245)	(1,340)	(40,328)	(3,814)	(127,688)	(111,097)	(100,436)	(385,948)

29. Deferred Tax (continued)

Deferred tax liabilities

	2018							
	Fair value adjustments arising from acquisitions of subsidiaries HK$'000	Temporary differences related to service concession arrangements HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of investment properties HK$'000	Revaluation of property, plant and equipment HK$'000	Withholding tax levied on dividend HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	2,176,936	99,804	511,315	1,214,479	21,293	803,245	21,474	4,848,546
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)*	(143,424)	5,342	18,967	44,307	–	(48,693)	24,021	(99,480)
Deferred tax transferred to revaluation reserve	–	–	–	–	19,682	–	1,269	20,951
Acquisition of a subsidiary *(note 34)*	1,782,953	–	–	–	–	–	–	1,782,953
Exchange differences	(162,221)	(4,782)	(22,965)	(57,044)	(1,676)	(31,106)	(912)	(280,706)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2018	3,654,244	100,364	507,317	1,201,742	39,299	723,446	45,852	6,272,264

Deferred tax assets

	2018							
	Fair value adjustments arising from acquisitions of subsidiaries HK$'000	Depreciation expense in excess of related depreciation allowance HK$'000	Losses available for offsetting against future taxable profits HK$'000	Customer loyalty programme HK$'000	Provision and accruals HK$'000	Provisions for LAT HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	(1,441)	(4,346)	–	(4,684)	(59,911)	(80,315)	(8,036)	(158,733)
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year *(note 10)*	53	1,254	7,042	453	7,888	(26,209)	(47,705)	(57,224)
Acquisition of a subsidiary *(note 34)*	–	–	(46,721)	–	(482)	–	–	(47,203)
Exchange differences	64	1,686	1,509	199	928	4,644	2,111	11,141
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December 2018	(1,324)	(1,406)	(38,170)	(4,032)	(51,577)	(101,880)	(53,630)	(252,019)

29. Deferred Tax (continued)

The Group has unrecognised tax losses arising in Hong Kong of approximately HK$241,335,000 (2018: HK$234,992,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has unrecognised tax losses arising in Mainland China of HK$861,196,000 (2018: HK$810,893,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the directors considered that it is not probable that sufficient taxable profits will be available against which the unused tax losses can be utilised by the Group.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and associates established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2019, except for withholding tax provided for under deferred tax liabilities, the aggregate amount of temporary differences associated with unremitted earnings that are subject to withholding taxes of the Group's subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$1,568,168,000 (2018: HK$880,783,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. Share Capital

Shares

	2019 HK$'000	2018 HK$'000
Issued and fully paid:		
6,537,821,440 ordinary shares	**8,966,177**	8,966,177

31. Share Option Scheme

On 24 October 2008, the Company adopted a new share option scheme (the "2008 Scheme"). The purpose of the 2008 Scheme is to provide incentives to selected employees, officers and directors to contribute to the Group and to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to such employees, officers and directors or to serve such other purposes as the board of directors of the Company may approve from time to time. Eligible participants of the 2008 Scheme include the employees, officers or directors of a member of the Group ("Eligible Person"). The 2008 Scheme unless otherwise terminated or amended, will remain in force for 10 years from 24 October 2008. The 2008 Scheme expired on 23 October 2018.

The total number of ordinary shares which may be issued upon exercise of all share options to be granted under the 2008 Scheme (excluding any which have lapsed) and any other schemes of the Company must not, in aggregate, exceed 10% of the ordinary shares of the Company in issue as at the date of the adoption of the 2008 Scheme.

The total number of ordinary shares issued and to be issued upon exercise of the share options granted and to be granted under the 2008 Scheme to each eligible participant (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant of share options must not exceed 1% of the ordinary shares in issue at such date. Any further grant of share options under the 2008 Scheme in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

31. Share Option Scheme (continued)

Share options granted to a director or chief executive of the Company, or any of their respective associates, under the 2008 Scheme must be approved by the independent non-executive directors of the Company. In addition, for any share options granted to an independent non-executive director of the Company, or any of their respective associates, which would result in the ordinary shares issued and to be issued upon exercise of all share options already granted or to be granted under the 2008 Scheme (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the ordinary shares in issue; and (ii) having an aggregate value (based on the closing price of the ordinary shares at the date of grant) in excess of HK$5,000,000, such grant of options by the board of directors must be approved by shareholders in a general meeting.

An offer of grant of a share option under the 2008 Scheme may be accepted by the grantee within the period of the time stipulated by the board of directors of the Company, but not exceeding 14 days inclusive of, and from the date of such offer. All share options under the 2008 Scheme will be unvested share options upon grant which will, subject to a grantee continuing to be an Eligible Person, vest with the grantee in accordance with the vesting schedules specified in their respective offer of grant. Subject to the rules of the 2008 Scheme and the relevant offer of the grant of a share option, a vested share option may be exercised in accordance with the terms of the rules of the 2008 Scheme at any time during the period to be determined and notified by the directors of the Company to each grantee, which period may commence on the date which is 2 years from the date of grant of the share option but shall end in any event not later than 10 years from the aforesaid date of grant. The exercise of any share option under the 2008 Scheme may be subject to the achievement of performance targets which may be determined by the board of directors of the Company at its absolute discretion on a case by case basis upon the grant of the relevant share option and stated in the offer of grant of such share option.

The exercise price of the share options under the 2008 Scheme was determinable by the board of directors of the Company and would not be less than the highest of (i) the closing price of the ordinary shares as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant of the share options; (ii) the average closing price of the Company's ordinary shares based on the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the share options; and (iii) the nominal value of the ordinary shares.

No dividends (including distributions made upon the liquidation of the Company) would be payable and no voting rights would be exercisable in relation to any share option that had not been exercised.

Movements in share options under the Company's 2008 Scheme during the year ended 2018 were as follows:

	Weighted average exercise price HK$ per share	Number of options
At 1 January 2018	6.20	8,966,030
Lapsed/forfeited during the year#	6.20	(8,966,030)
At 31 December 2018	–	–

During the year ended 31 December 2018, all outstanding share options were lapsed in accordance with the rules of the 2008 Scheme. 8,966,030 share options were lapsed. An amount of HK$15,243,000 was transferred from the share option reserve to retained profits.

As at 31 December 2019 and 2018, there were no share options outstanding under the 2008 Scheme.

32. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(i) The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based arrangements in note 2.4 to the financial statements. The entire amount has been transferred to retained profits as all the share options were lapsed during the year ended 31 December 2018.

(ii) Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are established/registered in Mainland China has been transferred to the expansion fund reserve which is restricted as to use.

(iii) The capital reserve mainly represents the capital reserve arising from group reorganisations in prior years.

(iv) The defined benefit plan reserve represents remeasurement of gains and losses arising from the defined benefit plan of an associate, comprising actuarial gains and losses and the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability.

33. Partly-Owned Subsidiaries With Material Non-Controlling Interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2019	2018
Percentage of equity interest held by GD Teem's non-controlling interests	**23.87%**	23.87%

	2019 HK$'000	2018 HK$'000
Profit for the year allocated to GD Teem's non-controlling interests	**329,931**	205,496
Accumulated balances of GD Teem's non-controlling interests at the end of the reporting period	**5,187,016**	4,964,180

33. Partly-Owned Subsidiaries With Material Non-Controlling Interests (continued)

The following tables illustrate the summarised financial information of GD Teem. The amounts disclosed are before any inter-company eliminations:

	2019 HK$'000	2018 HK$'000
Revenue	**2,800,465**	2,116,999
Changes in fair value of investment properties	**119,640**	80,073
Total expenses, net	**(1,680,661)**	(1,173,416)
Profit for the year	**1,239,444**	1,023,656
Total comprehensive income for the year	**822,346**	230,100
Current assets	**10,703,271**	9,730,245
Non-current assets	**11,546,203**	10,888,084
Current liabilities	**(2,857,739)**	(2,698,088)
Non-current liabilities	**(2,316,071)**	(1,663,684)
Net cash flows from operating activities	**674,882**	141,420
Net cash flows used in investing activities	**(98,154)**	(58,986)
Net cash flows used in financing activities	**(422,353)**	(8,852)
Effect of foreign exchange rate changes, net	**(13,216)**	(9,746)
Net increase in cash and cash equivalents	**141,159**	63,836

34. Business Combinations

(A) Year ended 31 December 2019

On 7 May 2019, the Group acquired a 79% equity interest in 江西海匯公用事業集團有限公司 (the name was subsequently changed to 江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Holdings Company Limited▲)) ("Jiangxi Guangdong") from certain independent third parties at a cash consideration of RMB1,626,870,000 (equivalent to approximately HK$1,896,442,000) (the "Jiangxi Guangdong Acquisition"). Jiangxi Guangdong holds a number of subsidiaries (collectively, the "Jiangxi Guangdong Group") which principally engage in water distribution, sewage treatment and related construction services in the PRC. The Jiangxi Guangdong Acquisition was made as part of the Group's strategy to expand its market share in the water resources segment in the PRC.

The Group had elected to measure the non-controlling interests in the Jiangxi Guangdong Group at the non-controlling interests' proportionate share of the entity's identifiable net assets.

34. Business Combinations (continued)

(A) Year ended 31 December 2019 (continued)

The fair values of the identifiable assets and liabilities of the Jiangxi Guangdong Group acquired as at the date of acquisition are set out as follows:

	HK$'000
Property, plant and equipment	148,967
Investment properties	22,564
Right-of-use assets	529
Operating concession rights	1,771,077
Receivables under service concession arrangements	517,894
Deferred tax assets	3,442
Receivables, prepayments and other receivables	214,605
Cash and cash equivalents	279,430
Inventories	18,076
Tax recoverable	19,938
Bank and other borrowings	(206,912)
Contract liabilities	(175,093)
Payables, accruals and other liabilities	(195,782)
Tax payables	(23,867)
Deferred tax liabilities	(295,492)
Total identifiable net assets at fair values	2,099,376
Non-controlling interests	(59,865)
	2,039,511
Percentage of equity interest acquired	79%
	1,611,214
Goodwill on acquisition	285,228
	1,896,442
Satisfied by:	
Cash consideration	1,896,442

As at the date of acquisition, the fair values of the receivables were their gross contractual amounts, of which trade receivables of HK$23,348,000 were expected to be uncollectible. The goodwill arising from Jiangxi Guangdong Acquisition pertains to, but is not limited to, the expected synergies in the Group arising from the acquisition.

The Group incurred transaction costs of HK$7,018,000 in connection with the acquisition. The transaction costs have been included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the Jiangxi Guangdong Acquisition is as follows:

	HK$'000
Cash consideration	(1,896,442)
Cash and cash equivalents acquired	279,430
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,617,012)
Transaction costs for the acquisition included in cash flows from operating activities	(7,018)
	(1,624,030)

Since the acquisition, the Jiangxi Guangdong Group contributed revenue of HK$500,385,000 and profit of HK$149,322,000 to the Group for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK$16,893,039,000 and HK$5,679,909,000, respectively.

34. Business Combinations (continued)

(B) Year ended 31 December 2018

On 11 July 2018, the Group acquired a 100% equity interest in 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd) ("Yuehai Property Co") from 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.) and 廣東粵港投資置業有限公司 (Guangdong Yuegang Investment Property Co., Ltd.), fellow subsidiaries of the Company and connected persons of the Company under the Listing Rules, at a cash consideration of RMB1,172,550,000 (equivalent to approximately HK$1,390,761,000) (the "Yuehai Acquisition"). Yuehai Property Co is principally engaged in property development in the PRC. Pursuant to the sale and purchase agreement, the Group also procured Yuehai Property Co to repay outstanding loans together with accrued interest up to and including 31 March 2018 with an aggregate amount of RMB842,139,000 (equivalent to approximately HK$998,861,000).

The total amount for the acquisition to be paid by the Group amounted to RMB2,014,689,000 (equivalent to approximately HK$2,389,622,000).

The Yuehai Acquisition constituted a connected transaction under the Listing Rules. Further details of the acquisition are set out in the circular of GD Land dated 18 May 2018.

The directors of the Company are of the opinion that the Yuehai Acquisition was made as part of the Group' strategy to expand its property investment and development segment in geographical areas. Further details of the transaction are set out in note 38(b)(iii) to the financial statements.

The fair values of the identifiable assets and liabilities of the Yuehai Property Co acquired as at the date of acquisition are set out as follows:

	HK$'000
Property, plant and equipment	4,636
Investment properties	483,929
Deferred tax assets	47,203
Properties held for sale under development	4,974,503
Completed properties held for sale	68,794
Due from fellow subsidiaries	21,784
Cash and cash equivalents	29,167
Due to the ultimate holding company and fellow subsidiaries	(534,789)
Loans from the ultimate holding company and fellow subsidiaries	(940,945)
Bank borrowings	(459,021)
Deferred tax liabilities	(1,782,953)
Others	(224,810)
Total identifiable net assets at fair values acquired	1,687,498
Settlement of outstanding loans due to the ultimate holding company and fellow subsidiaries, together with accrued interest up to 31 March 2018	998,861
Gain on bargain purchase recognised in the consolidated statement of profit or loss	(296,737)
Satisfied by cash	2,389,622

34. Business Combinations (continued)

(B) Year ended 31 December 2018 (continued)

As at the date of acquisition, the fair values of the receivables were their gross contractual amounts. None of them was expected to be uncollectible. The gain on bargain purchase was attributable to the Group's bargaining power and ability in negotiating the agreed terms of the transaction with the vendors.

The properties held for sale under development was subsequently completed and transferred to completed properties held for sale as of 31 December 2018.

The Group incurred transaction costs of HK$5,767,000 in connection with the acquisition. The transaction costs have been included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the Yuehai Acquisition was as follows:

	HK$'000
Cash consideration	(2,389,622)
Cash and cash equivalents acquired	29,167
Net outflow of cash and cash equivalents included in cash flows from investing activities	(2,360,455)
Transaction costs for the acquisitions included in cash flows from operating activities	(5,767)
	(2,366,222)

Since the acquisition, the Yuehai Acquisition contributed revenue of HK$202,884,000 and profit of HK$24,848,000 to the Group for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year ended 31 December 2018, the revenue and the profit of the Group for that year would have been HK$13,418,276,000 and HK$5,561,320,000, respectively.

35. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

(i) The Group had non-cash additions to right-of-use assets and lease liabilities of HK$164,882,000 and HK$164,882,000, respectively, in respect of lease arrangements for properties (2018: Nil).

(ii) During the year, the Group settled an amount of HK$118,200,000 (2018: HK$118,200,000) in relation to the Loan Facility by deducting it against the water revenue receivable from the Government of the HKSAR. Details of the Loan Facility are set out in note 28 to the financial statements.

(iii) During the year ended 31 December 2018, an amount due from non-controlling equity holders of subsidiaries of HK$22,001,000 was settled by distribution of reserves.

(iv) During the year, non-controlling equity holders of the Group contributed paid-up capital of HK$175,677,000 (2018: HK$113,785,000) by way of asset injection. The amount of HK$175,677,000 (2018: HK$113,785,000) was included in receivables under service concession arrangements as at 31 December 2019.

(v) As at 31 December 2019, the Group had payables for property, plant and equipment of HK$142,051,000 (2018: HK$288,677,000) and for investment properties of HK$476,330,000 (2018: HK$455,667,000) which were included in payables, accruals and other liabilities.

(vi) As at 31 December 2019, the Group had dividend payables to non-controlling equity holders of the Group of HK$108,930,000 (2018: HK$78,155,000), of which HK$45,483,000 (2018: HK$42,708,000) was included in payables, accruals and other liabilities and HK$63,447,000 (2018: HK$35,447,000) was included in amounts due to non-controlling equity holders of subsidiaries.

35. Notes to the Consolidated Statement of Cash Flows (continued)

(b) Changes in liabilities arising from financing activities

	Dividend payables to shareholders HK$'000	Bank and other borrowings HK$'000	Lease liabilities HK$'000	Loans from a fellow subsidiary HK$'000	Amounts due to the ultimate holding company and fellow subsidiaries HK$'000
At 1 January 2018	–	5,329,120	–	421,720	–
Changes from financing cash flows	(3,268,910)	3,177,691	–	(7,343)	(22,357)
Dividends	3,268,910	–	–	–	–
Increase arising from acquisition of a subsidiary *(note 34)*	–	459,021	–	–	476,873
Foreign exchange movement	–	(108,825)	–	(19,122)	(18,541)
At 31 December 2018 and at 1 January 2019 (as previously reported)	**–**	**8,857,007**	**–**	**395,255**	**435,975**
Effect of adoption of HKFRS16	**–**	**–**	**549,857**	**–**	**–**
At 1 January 2019 (restated)	**–**	**8,857,007**	**549,857**	**395,255**	**435,975**
Changes from financing cash flows	**(3,582,726)**	**(841,675)**	**(59,396)**	**(393,835)**	**(432,067)**
Dividends	**3,582,726**	**–**	**–**	**–**	**–**
New leases	**–**	**–**	**164,882**	**–**	**–**
Interest expense	**–**	**–**	**34,004**	**–**	**–**
Lease modification	**–**	**–**	**(1,353)**	**–**	**–**
Increase arising from acquisition of subsidiaries *(note 34)*	**–**	**206,912**	**–**	**–**	**–**
Foreign exchange movement	**–**	**(84,966)**	**(15,160)**	**(1,420)**	**(3,908)**
At 31 December 2019	**–**	**8,137,278**	**672,834**	**–**	**–**

(c) Cash and cash equivalents

	2019 HK$'000	2018 HK$'000
Cash and cash equivalents as stated in the consolidated statement of financial position as at 31 December *(note 24)*	**12,346,768**	7,645,121
Non-pledged time deposits with original maturity of more than three months when acquired *(note 24)*	**(3,398,552)**	(758,107)
Cash and cash equivalents as stated in the consolidated statement of cash flows as at 31 December	**8,948,216**	6,887,014

(d) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2019 HK$'000
Within operating activities	**39,105**
Within financing activities	**59,396**
	98,501

36. Contingent Liabilities

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

(a)

	2019 HK$'000	2018 HK$'000
The Group's proportional share of guarantees given to a bank in connection with facilities utilised by an associate	–	55,924

As at 31 December 2019, no banking facilities granted to an associate was subject to guarantees given to a bank by the Group and the other equity holders of the associate. As at 31 December 2018, the banking facilities granted to an associate subject to guarantees given to a bank by the Group and the other equity holders of the associate were in accordance with the equity holding ratio of each party. The facilities granted to the associate by the bank was utilised to the extent of HK$114,130,000 as at 31 December 2018.

(b) As at 31 December 2019, the Group provided guarantees to certain banks in respect of mortgages granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties held for sale. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the relevant outstanding mortgage principals together with the accrued interest and penalty owed by the defaulting purchasers to the banks and the Group is entitled but not limited to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the real estate ownership certificates. As at 31 December 2019, the Group's outstanding guarantees amounted to HK$736,124,000 (2018: HK$370,276,000) for these guarantees.

37. Commitments

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Capital commitments in respect of property, plant and equipment, investment properties and intangible assets:		
Contracted for	**4,677,111**	2,288,481
Capital commitments in respect of capital contribution payable to associates:		
Contracted for	**91,680**	139,583
Commitments in respect of project financing payable to an associate:		
Contracted for	**1,756,793**	–

(b) On 8 June 2016, the Company entered into a cooperation agreement with 東莞市謝崗鎮人民政府 in respect of the Yinping PPP Project for the development of certain public roads which are not toll roads (the "Project Roads") in 銀瓶創新區 (Yinping Innovation Zone) in Dongguan, Guangdong, the PRC.

The Group shall be responsible for, inter alia, the provision of funding for the development of the Project Roads with the development costs not exceeding RMB4.754 billion (equivalent to approximately HK$5.307 billion), and project management and maintenance of the Project Roads. At the end of the reporting period, an amount of RMB910,690,000 (equivalent to approximately HK$1,016,603,000) (2018: RMB272,522,000 (equivalent to approximately HK$311,029,000)) has been paid in relation to the Yinping PPP Project.

Further details of the Yinping PPP Project are set out in the Company's announcement dated 8 June 2016.

(c) On 8 June 2018, the Group entered into an agreement to acquire 30% of equity interest of a subsidiary from the non-controlling equity holder of that subsidiary at a cash consideration of RMB81,000,000 (equivalent to approximately HK$90,420,000). At the end of the reporting period, the Group had nil (2018: RMB40,500,000 (equivalent to approximately HK$46,223,000)) commitment in respect of the transaction.

37. Commitments (continued)

(d) Operating lease commitments as at 31 December 2018

The Group leased certain leasehold properties under operating lease arrangements. Leases for properties were negotiated for terms of three months to twenty years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000
Within one year	93,966
In the second to fifth years, inclusive	57,259
After five years	205,503
	356,728

In addition to the operating lease arrangements disclosed above, the Group leased certain leasehold properties for the department store operations. The rental charge of HK$105,806,000 during the year ended 31 December 2018 was calculated with reference to the revenue generated by the Group.

38. Related Party Transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

(a) Transactions with related parties

	Notes	**2019 HK$'000**	2018 HK$'000
Hotel management fees received from fellow subsidiaries*	*(i)*	**4,446**	5,094
Rental income received from Guangdong Holdings, GDH Limited and certain subsidiaries of Guangdong Holdings*	*(ii)*	**28,089**	26,482
Water distribution income received from a fellow subsidiary*	*(iii)*	**38,100**	37,148
Dividends paid and payable to GDH Limited and certain subsidiaries of GDH Limited by GH Water Holdings	*(iv)*	**185,285**	46,254
Dividends paid and payable to GDH Limited and certain of its subsidiaries by the Company	*(iv)*	**2,024,013**	1,846,727
Dividends paid to Guangdong Holdings by WaterCo	*(iv)*	**13,661**	34,451
Interest expenses charged by Guangdong Holdings	*(v)*	**–**	749
Interest expenses charged by fellow subsidiaries	*(vi)*	**16,215**	20,940
Sale of electricity to a fellow subsidiary and an associate*	*(vii)*	**32,791**	28,697
Consultancy service fee paid to a fellow subsidiary	*(viii)*	**6,437**	6,704
Property management fees paid to a fellow subsidiary*	*(ix)*	**14,572**	1,947
Sale of properties to a fellow subsidiary	*(x)*	**52,788**	–
Information service fee paid to a fellow subsidiary	*(xi)*	**7,972**	4,622

38. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The hotel management fees were charged in accordance with the terms of the agreements entered into between the Group and the respective fellow subsidiaries of HK$4,446,000 (2018: HK$5,094,000) which is net of tax of HK$268,000 (2018: Nil) for the year ended 31 December 2019.

(ii) The Group received rental income and reimbursement of other expenses of HK$31,528,000 (2018: HK$29,627,000) in accordance with the terms of respective tenancy agreements with these related parties in which rental income was HK$28,089,000 (2018: HK$26,482,000) for year ended 31 December 2019.

(iii) Income on the supply of untreated water was charged in accordance with the terms of the agreement entered into between the Group and a fellow subsidiary.

(iv) The dividends paid and payable were made pursuant to the dividend rates proposed and declared at the respective boards of directors and shareholders' meetings.

(v) The interest expenses for the year ended 31 December 2018 were charged at effective interest rates of 4.9% to 5.0%.

(vi) The interest expenses were charged at effective interest rates of 94.0% to 103.5% (2018: 94.0% to 103.5%) of the agreed RMB benchmark lending rate per annum announced by the People's Bank of China.

(vii) The Group received income from the sale of electricity in accordance with the terms of the agreements of HK$32,791,000 (2018: HK$28,697,000) which is net of tax of HK$4,384,000 for the year ended 31 December 2019 (2018: HK$4,660,000).

(viii) The consultancy service fee was charged in accordance with the terms of the agreement entered into between the Group and a fellow subsidiary.

(ix) The property management fee was charged in accordance with the terms of the agreements entered into between the Group and a fellow subsidiary of HK$16,106,000 (2018: HK$2,662,000) which is net of tax of HK$1,534,000 (2018: HK$715,000) for the year ended 31 December 2019.

(x) The sale of properties to a fellow subsidiary was charged in accordance with the terms of the agreement entered into between the Group and a fellow subsidiary.

(xi) The information service fee was charged in accordance with the terms of the agreement entered into between the Group and a fellow subsidiary.

** These related party transactions also constitute continuing connected transactions as defined in Rules 14A.31 and 14A.76(2) of the Listing Rules.*

38. Related Party Transactions (continued)

(b) Other transactions with related parties

(i) As at 31 December 2019, no banking facilities were granted to an associate subject to guarantees given to a bank by the Group and the other equity holders of that associate. As at 31 December 2018, the Group has guaranteed banking facilities granted to an associate amounting to HK$55,924,000 as at the end of the reporting period. The facilities granted to the associate by bank was utilised to the extent of HK$114,130,000 as at 31 December 2018.

(ii) On 1 February 2018, the Company, 廣東粵海水務股份有限公司 (Guangdong Yue Hai Water Holdings Limited▲) ("Guangdong Water Co"), an indirect wholly-owned subsidiary of Guangdong Holdings, and China First Metallurgical Group Co. Ltd. ("CFMG"), an independent third party, successfully bid for the water resources project in Yangjiang, Guangdong Province (the "Project"). The Company will make capital contribution of RMB131 million (equivalent to approximately HK$156 million) to a joint venture company to be set up for the Project. The transaction also constituted a connected transaction as defined in Chapter 14A of the Listing Rules. Further details are set out in the announcement of the Company dated 1 February 2018.

(iii) On 11 July 2018, GD Land acquired a 100% equity interest in 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.▲) from 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.▲) and 廣東粵港投資置業有限公司 (Guangdong Yuegang Investment Property Co., Ltd.▲) and procured to settle the outstanding loans, together with accrued interest up to 31 March 2018 due to the ultimate holding company and its subsidiaries at an aggregate cash consideration of RMB1,172,550,000 (equivalent to approximately HK$1,390,761,000). The vendors are fellow subsidiaries of the Company and connected persons of the Company under the Listing Rules. The consideration was determined with reference to a valuation performed by independent professional valuers and a discount agreed by both parties. The transaction also constituted a connected transaction of the Company as defined in Chapter 14A of the Listing Rules. Further details are set out in the joint announcement of the Company and GD Land dated 27 April 2018 and the circular of GD Land dated 18 May 2018.

(iv) On 18 May 2019, the Company, Guangdong Water Co, 江蘇中和永泰建設工程有限公司 (Jiangsu Chunghe Yongtai Construction Engineering Co., Ltd▲), an independent third party, and CFMG successfully bid for the Yangtze River water diversion project in Xinghua, Jiangsu, the PRC (the "Xinghua Project"), which will be owned as to 46% and 14.5% by the Company and Guangdong Water Co., respectively. After taking into account the proportionate registered capital contribution from Guangdong Water Co, 江蘇中和永泰建設工程有限公司 (Jiangsu Chunghe Yongtai Construction Engineering Co., Ltd▲) and CFMG, the maximum amount (including registered capital and project financing and/or joint guarantees) for which the Company is responsible in respect of Xinghua Project is approximately RMB1,891 million (equivalent to approximately HK$2,205 million). The transaction constituted a connected transaction as defined in Chapter 14A of the Listing Rules. Further details are set out in the announcement of the Company dated 20 May 2019.

(c) Commitments with related parties

The Group entered into several tenancy agreements, as lessor, with Guangdong Holdings, GDH Limited and certain fellow subsidiaries of the Company (collectively, the "GDH Group") for leasing out several units in Hong Kong and Mainland China as office premises. The total amounts received from the GDH Group for the year were included in note 38(a) to the financial statements. Details of the Group's commitments with related parties are as follows:

(i) On 28 November 2016, Global Head and Guangdong Tannery Limited ("GD Tannery"), a 71.34% owned subsidiary of GDH Limited and a fellow subsidiary of the Company, entered into a tenancy agreement in relation to the leasing out of Office A2 on 19th Floor of the Guangdong Investment Tower (the "GDI Tower") as office premise for a term of three years commencing on 6 February 2017 at a monthly rent of HK$44,500. As at 31 December 2019, the Group expected total amounts receivable from GD Tannery for the year ending 31 December 2020 to be approximately HK$52,000. As at 31 December 2018, the Group expected total amounts receivable from GD Tannery for each of the years ended 31 December 2019 and 2020 to be approximately HK$534,000 and HK$52,000, respectively.

(ii) On 17 December 2019, Global Head and GD Tannery entered into a renewal of tenancy agreement in relation to the leasing out of Office A2 on 19th Floor of GDI Tower as office premises for a term of two years commencing on 6 February 2020 at a monthly rent of HK$46,000. As at 31 December 2019, the Group expected total amounts receivable from GD Tannery for each of the years ending 31 December 2020, 2021 and 2022 to be approximately HK$498,000, HK$552,000 and HK$54,000, respectively.

38. Related Party Transactions (continued)

(c) Commitments with related parties (continued)

(iii) On 10 July 2018, Global Head and GDH Limited entered into a tenancy agreement in relation to the leasing out of the premises on 26th Floor, 27th Floor, 30th Floor and Office B1 on 29th Floor of GDI Tower as office premises for a term of three years commencing on 1 August 2018 at a monthly rent of HK$980,000. As at 31 December 2019, the Group expected total rental income receivable from GDH Limited for each of the years ending 31 December 2020 and 2021 to be approximately HK$11,760,000 and HK$6,860,000, respectively. As at 31 December 2018, the Group expected total rental income receivable from GDH Limited for each of the years ended 31 December 2019, 2020 and 2021 to be approximately HK$11,760,000, HK$11,760,000 and HK$6,860,000, respectively.

(iv) On 30 August 2019, Global Head and GDH Limited entered into a tenancy agreement in relation to the leasing out of Office B on 5th Floor of GDI Tower as office premises for a term of three years commencing on 1 September 2019 at a monthly rent of HK130,000. As at 31 December 2019, the Group expected total rental income receivable from GDH Limited for each of the years ending 31 December 2020, 2021 and 2022 to be approximately HK$1,560,000, HK$1,560,000 and HK$1,040,000, respectively.

(v) On 28 September 2017, GD Teem, a non-wholly-owned subsidiary of the Company, and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of the premises on 42nd and 45th Floors of the Teem Tower as office premises for a term of three years commencing on 1 October 2017 at a monthly rent of RMB442,583.05 for the first two months and RMB885,166.10 for the remaining term. As at 31 December 2019, the Group expected total rental income from Guangdong Holdings for the year ended 31 December 2020 to be approximately HK$8,893,000. As at 31 December 2018, the Group expected total rental income from Guangdong Holdings for the years ended 31 December 2019 and 2020 to be approximately HK$12,123,000 and HK$9,092,000, respectively.

(vi) On 4 July 2019, GD Teem and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of the premises on Units 04, 05 and 06 of 20th Floor of Teem Tower as office premises for a term of three years commencing on 1 August 2019 at a monthly rent of RMB185,191.50. As at 31 December 2019, the Group expected total rental income from Guangdong Holdings for the years ending 31 December 2020, 2021 and 2022 to be approximately HK$2,481,000, HK$2,481,000 and HK$1,240,000, respectively.

(vii) On 29 August 2019, GD Teem and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of the premises on Units 07-1 and 08 of 31st Floor of Teem Tower as office premises for a term of thirty-five months commencing on 1 September 2019 and expiring on 31 July 2022 at a monthly rent of RMB81,814.20. As at 31 December 2019, the Group expected total rental income from Guangdong Holdings for the years ending 31 December 2020, 2021 and 2022 to be approximately HK$1,096,000, HK$1,096,000 and HK$548,000, respectively.

(viii) On 29 May 2018, GD Teem and GDH Finance Co., Ltd. ("GDH Finance"), a subsidiary of Guangdong Holdings, entered into a tenancy agreement in relation to the leasing out of the premises on Units 01, 02A, 07B and 08 of 35th Floor of Teem Tower as office premises for a term of three years commencing on 21 July 2018 at a monthly rent of RMB161,332.95. As at 31 December 2019, the Group expected total rental income receivable from GDH Finance for each of the years ending 31 December 2020 and 2021 to be approximately HK$2,161,000 and HK$1,197,000, respectively. As at 31 December 2018, the Group expected total rental income receivable from GDH Finance for each of the years ended 31 December 2019, 2020 and 2021 to be approximately HK$2,210,000, HK$2,210,000 and HK$1,224,000, respectively.

38. Related Party Transactions (continued)

(d) Outstanding balances with related parties

	Notes	2019 HK$'000	2018 HK$'000
Balances due from:			
Fellow subsidiaries	*(i)*	**1,168**	1,425
Associates	*(i)*	**2,191**	748
A fellow subsidiary	*(ii)*	**3,293**	2,784
Deposits placed at a fellow subsidiary	*(v)*	**272,416**	34,237
Balances due to:			
Immediate holding company	*(i)*	**27,084**	29,102
Ultimate holding company	*(iii)*	**14,189**	3,092
Fellow subsidiaries	*(i)*	**118,147**	548,860
Associates	*(i)*	**4,775**	45,312
Loans from a fellow subsidiary	*(iv)*	**–**	395,255
Deposit received from a director	*(vi)*	**5,178**	–

Notes:

(i) The balances due are unsecured, non-interest-bearing and have no specific terms of repayment.

(ii) The balance due is unsecured, non-interest-bearing and repayable within 30 days.

(iii) Included in the balance was HK$3,444,000 (2018: HK$2,787,000) which represented rental deposits received from the ultimate holding company. The balance due is unsecured, non-interest-bearing and repayable upon the expiry of the rental agreements. The remaining balance due is unsecured, non-interest-bearing and has no specific term of repayment.

(iv) The balance as at 31 December 2018 included a loan of HK$13,696,000 from a fellow subsidiary, which was unsecured and interest-bearing at 94% of the RMB benchmark 5-year lending rate per annum announced by the People's Bank of China.

(v) The balance represented bank deposits placed at a fellow subsidiary, a non-banking financial institution in the PRC. The balance due is unsecured, interest accrued at 50% higher than the RMB Agreed Deposit Rate offered by financial institutions as announced by the People's Bank of China.

(vi) The deposit represented the pre-sale property deposit received from a director of the Company. The consideration and deposit received were determined based on the price of the property unit that was quoted on the public price list of the Group's project.

(e) Compensation of key management personnel of the Group

	2019 HK$'000	2018 HK$'000
Short term employee benefits	**7,637**	8,196
Post-employment benefits	**428**	572
Equity-settled share option benefits, net	**–**	56
Total compensation paid to key management personnel	**8,065**	8,824

Further details of directors' emoluments are included in note 8 to the financial statements.

39. Connected Transactions

The Group's connected transactions and continuing connected transactions conducted during the year and disclosed in accordance with Chapter 14A of the Listing Rules are as follows:

(A) Connected Transactions

(a) Formation of Joint Venture Company for the Yangjiang Water Project

On 1 February 2018, the Company, Guangdong Water Co and CFMG, an independent third party, successfully bid for a public-private-partnership project for the investment, construction, operation and maintenance of certain water pipe networks and ancillary facilities for discharge of waste water and rainwater in Yangjiang, Guangdong Province, the PRC (the "Yangjiang Water Project"). The Company agreed to contribute to the registered capital of RMB131 million (equivalent to approximately HK$156 million) to a joint venture company to be set up for the Yangjiang Water Project. The joint venture company would be owned as to 48% by the Company, 51% by Guangdong Water Co and 1% by CFMG. The estimated total investment amount of the Yangjiang Water Project in the amount of approximately RMB820,000,000 (equivalent to approximately HK$935,866,000), of which the registered capital of the joint venture company formed part, would be wholly borne by the Company, Guangdong Water Co and CFMG.

As the Yangjiang Water Project was the Group's first sizable investment, construction and operation projects in pipe networks for discharge of waste water and rainwater, the participation would enable the Group to acquire relevant experience for future similar projects. Further, the Board was of the view that the Yangjiang Water Project was in line with the Group's strategic plan to expand its market share in the water market in Guangdong and it represents an important strategic entry by the Group into the western part of Guangdong, thus increasing the market influence and brand awareness of the Group in water related projects in such areas.

Guangdong Water Co is an indirect wholly owned subsidiary of Guangdong Holdings, the Company's ultimate holding company. Hence, Guangdong Water Co is a connected person of the Company and the transaction constituted a connected transaction of the Company under the Listing Rules which was subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirement. Further details are set out in the announcement of the Company dated 1 February 2018.

(b) The Yuehai Acquisition

On 27 April 2018, the Group entered into an agreement with Guangdong Yuegang Investment Development Co., Ltd. and Guangdong Yuegang Investment Property Co., Ltd., pursuant to which the Group has conditionally agreed to (i) acquire a 100% equity interest in Yuehai Property Co and (ii) to procure Yuehai Property Co to repay outstanding loans together with accrued interest up to 31 March 2018 due to Guangdong Holdings and fellow subsidiaries with an aggregate amount of RMB842,139,000 (equivalent to approximately HK$998,861,000).

The principal assets of Yuehai Property Co are the properties under the Zhuguanglu Project and the Baohuaxuan Project. The Yuehai Acquisition was in line with the Group's strategy of seeking investment and development property projects in first-tier cities in Mainland China.

Guangdong Yuegang Investment Development Co., Ltd. and Guangdong Yuegang Investment Property Co., Ltd. are directly and indirectly wholly-owned by Guangdong Holdings (being the ultimate controlling shareholder and a connected person of the Company), and, hence, associates of Guangdong Holdings and therefore connected persons of the Company. The Yuehai Acquisition constituted a connected transaction of the Company under the Listing Rules and was subject to reporting and announcement requirements. Further details of the Yuehai Acquisition are set out in the joint announcement of the Company and GD Land dated 27 April 2018 and the circular of GD Land dated 18 May 2018.

The Yuehai Acquisition was approved at a Special General Meeting of GD Land held on 7 June 2018. Upon completion of the Yuehai Acquisition on 11 July 2018, Yuehai Property Co became an indirectly owned subsidiary of the Group and the Group, through Yuehai Property Co, holds the Zhuguanglu Project and the Baohuaxuan Project. The total amount for the Yuehai Acquisition paid by the Group comprised cash consideration for the entire equity interest in the amount of RMB1,172,550,000 (equivalent to approximately HK$1,390,761,000) and the abovementioned loan repayment in the amount of RMB842,139,000 (equivalent to approximately HK$998,861,000).

39. Connected Transactions (continued)

(A) Connected Transactions (continued)

(c) Formation of Joint Venture Company for the Yangtze Water Diversion Project

On 18 May 2019, the Company, Guangdong Water Co, 江蘇中和永泰建設工程有限公司 (Jiangsu Chunghe Yongtai Construction Engineering Co., Ltd.▲) ("Jiangsu Chunghe Yongtai") and CFMG ("Private Partners"), successfully bid for a public-private-partnership project for the investment, construction, operation and maintenance of certain water pipelines and ancillary facilities for water diversion in Xinghua, Jiangsu, the PRC (the "Yangtze Water Diversion Project"). The Company agreed to contribute to the registered capital of RMB317 million (equivalent to approximately HK$370 million) to a joint venture company to be set up for the Yangtze Water Diversion Project.

The joint venture company would be owned as to 46% by the Company, 14.5% by Guangdong Water Co, 3% by Jiangsu Chunghe Yongtai, 3% by CFMG and 33.5% by 興化市城市建設投資有限公司 (Xinghua City Construction Investment Co., Ltd.▲) The estimated total investment amount of the Yangtze Water Diversion Project in the amount of approximately RMB690,000,000 (equivalent to approximately HK$804,000,000), of which the registered capital of the joint venture company formed part, would be wholly borne by the Private Partners, and Xinghua City Construction Investment Co., Ltd.

Guangdong Water Co is an indirect wholly owned subsidiary of Guangdong Holdings, the Company's ultimate holding company. Hence, Guangdong Water Co is a connected person of the Company and the transaction constituted a connected transaction of the Company under the Listing Rules which was subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirement. Further details are set out in the announcement of the Company dated 20 May 2019.

(d) Financial Assistance provided to Liupanshui

On 19 November 2019, 六盤水粵海環保有限公司 (Liupanshui Guangdong Huanbao Company Limited▲) ("Liupanshui"), an indirectly owned subsidiary of the Company, entered into a loan agreement ("Liupanshui Loan Agreement") and a pledge agreement ("Liupanshui Pledge Agreement") with GDH Finance. Under the Liupanshui Pledge Agreement, Liupanshui will provide account receivables pledge to GDH Finance. Under the Liupanshui Loan Agreement, Liupanshui will drawdown RMB300,000,000 with a term of three years for the purpose of general working capital. The loan interest rate is the one-year market Loan Prime Rate as announced by the National Interbank Funding Center in October 2019 plus 31.25 basis points, adjusted each year. RMB10,000,000 of the loan principal will be repaid starting from Year 2020, on 25 June and 20 September of each year, and the remaining principal together with interest will be repaid in one lump sum on the maturity date. The loan amount and interest repayable by Liupanshui and pledge amount under the Liupanshui Loan Agreement and Liupanshui Pledge Agreement will be RMB342,100,000 (equivalent to approximately HK$380,107,310). Guangdong Holdings is the ultimate controlling shareholder of the Company, which holds the entire issued share capital of GDH Limited. GDH Limited in turn is the immediate controlling shareholder of the Company, holding approximately 56.49% of the issued shares of the Company as at the date of this report. Accordingly, Guangdong Holdings is a connected person (as defined in the Listing Rules) of the Company. GDH Finance (being a wholly-owned subsidiary of Guangdong Holdings and thus an associate of Guangdong Holdings as defined in the Listing Rules) is also a connected person of the Company. Therefore, the transactions contemplated under each of the Liupanshui Loan Agreement and Liupanshui Pledge Agreement, respectively, constitute financial assistance and connected transactions of the Company under the Listing Rules. As at 31 December 2019, there was no drawdown under the Liupanshui Loan Agreement. Further details of the transaction are set out in the Company's announcement dated 19 November 2019.

39. Connected Transactions (continued)

(B) Continuing Connected Transactions

(a) Hotel Management Agreements

(i) On 16 December 2016, 粵海國際酒店管理(中國)有限公司 (Guangdong International Hotel Management (China) Limited▲) ("GIHM (China)"), an indirect wholly-owned subsidiary of the Company, and Take Win Investment Limited, an indirect wholly-owned subsidiary of GDH Limited, the immediate holding company of the Company, entered into a management service agreement in relation to the management of 上海粵海酒店 (Guangdong Hotel (Shanghai)) ("GD Hotel Shanghai") by GIHM (China) for the period from 1 January 2017 to 31 December 2019 for a consideration of 2% of the total operating income plus 6% of the gross operating profits ("GOP") generated by GD Hotel Shanghai;

(ii) On 16 December 2016, GIHM (China) and 深圳市東深投資控股有限公司 (Shenzhen Dongshen Investment Holding Company Limited▲), a direct wholly-owned subsidiary of Guangdong Holdings which holds 100% interest in GDH Limited, entered into a management service agreement in relation to the management of 深圳市東深投資控股有限公司粵海之星酒店 (GDH Inn Hotel (Donghu) ("GDH Inn Hotel")) by GIHM (China) for the period from 1 January 2017 to 31 December 2019 for a consideration of 2% of the total operating income plus 2% of the GOP generated by GDH Inn Hotel, subject to fulfilment of performance targets; and

(iii) On 16 December 2016, GIHM (China) and Kwong Leung Hing (H.K.) Properties Company Limited, an indirect wholly-owned subsidiary of GDH Limited, entered into a management service agreement in relation to the management of 河南省粵海酒店 (Guangdong Hotel (Henan) ("GD Hotel Henan")) by GIHM (China) for the period from 1 January 2017 to 31 December 2019 for a consideration of 2% of the total operating income plus 6% of the GOP generated by GD Hotel Henan.

All of the above hotel management agreements are collectively referred to as the ''Hotel Management Agreements''.

During the year ended 31 December 2019, total income generated from hotel management and other services rendered to the above fellow subsidiaries by the Group in accordance with the terms of the Hotel Management Agreements amounted to approximately RMB4,145,000 (equivalent to approximately HK$4,714,000) (2018: RMB4,301,000 (equivalent to approximately HK$5,094,000), under the agreement(s) in force over the relevant previous period).

(b) Tenancy and Related Agreements

(i) On 28 November 2016, Global Head and GD Tannery entered into a tenancy agreement in relation to the leasing out of Office A2 on 19th Floor of GDI Tower as office premises for a term of three years commencing on 6 February 2017 at a monthly rent of HK$44,500;

(ii) On 10 July 2018, Global Head and GDH Limited entered into a tenancy agreement in relation to the leasing out of 26th Floor, 27th Floor, 30th Floor and Office B1 on 29th Floor of the GDI Tower as office premises for a term of three years commencing on 1 August 2018 at a monthly rent of HK$980,000;

(iii) On 30 August 2019, Global Head and GDH Limited entered into a tenancy agreement in relation to the leasing out of Office B on 5th Floor of GDI Tower as office premises for a term of three years commencing on 1 September 2019 at a monthly rent of HK$130,000;

(iv) On 28 September 2017, GD Teem and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of 42nd and 45th Floors of the Teem Tower as office premises for a term of three years commencing on 1 October 2017 at a monthly rent of RMB442,583.05 and RMB885,166.10 for the first two months and the remaining term, respectively;

39. Connected Transactions (continued)

(B) Continuing Connected Transactions (continued)

(b) Tenancy and Related Agreements (continued)

(v) On 4 July 2019, GD Teem and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of the premises on Units 04, 05 and 06 of 20th Floor of Teem Tower as office premises for a term of three years commencing on 1 August 2019 at a monthly rent of RMB185,191.50;

(vi) On 29 August 2019, GD Teem and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of the premises on Units 07-1 and 08 of 31st Floor of Teem Tower as office premises for a term of thirty-five months commencing on 1 September 2019 and expiring on 31 July 2022 at a monthly rent of RMB81,814.20; and

(vii) On 29 May 2018, GD Teem and GDH Finance entered into a tenancy agreement in relation to the leasing out of the premises on Units 01, 02A, 07B and 08 of 35th Floor of Teem Tower as office premises for a term of three years commencing on 21 July 2018 at a monthly rent of RMB161,332.95.

Under the tenancy agreements items (iv), (v), (vi) and (vii), Guangdong Holdings and GDH Finance were also required to pay management fees and other expenses in relation to the said premises to a wholly-owned subsidiary of GD Teem which provides property management services to the said premises. The fees and expenses were calculated by reference to the applicable charging rates and the actual consumption level for the various services used by Guangdong Holdings in connection with its occupation of the said premises.

The tenancy agreements under items (i), (ii) and (iii) are collectively referred to as the "GDI Tower Agreements". During the year ended 31 December 2019, the total amounts received in accordance with the terms of the GDI Tower Agreements amounted to approximately HK$12,554,000 (2018: HK$11,115,000, under the agreement(s) in force over the relevant previous period).

The tenancy agreements under items (iv), (v), (vi) and (vii) are collectively referred to as the "East Tower Agreements". During the year ended 31 December 2019, the total amounts received in accordance with the terms of the East Tower Agreements amounted to approximately RMB16,685,000 (equivalent to approximately HK$18,974,000) (2018: RMB15,631,000 (equivalent to approximately HK$18,512,000), under the agreement(s) in force over the relevant previous period).

(c) Changping Agreement

On 21 November 2018, WaterCo renewed an agreement (the "Changping Agreement") with 東莞常平粵海水務有限公司 (Dongguan Changping Guangdong Water Company Limited▲) ("Changping Water"), an indirectly wholly-owned subsidiary of Guangdong Holdings, pursuant to which WaterCo agreed to supply untreated water to Changping Water for the period from 1 January 2019 to 31 December 2020, subject to renewal by agreement of both parties prior to the expiration of the term.

During the year ended 31 December 2019, total income generated by WaterCo from the provision of water in accordance with the terms of the Changping Agreement amounted to approximately RMB33,503,000 (equivalent to approximately HK$38,100,000) (2018: RMB31,367,000 (equivalent to approximately HK$37,148,000), under the agreement(s) in force over the relevant previous period).

(d) Electricity Transaction Agreements

(i) On 6 November 2018, 中山粵海能源服務有限公司 (Zhongshan GDH Energy Services Co., Ltd.▲) ("Zhongshan Energy Services"), an indirect subsidiary of the Company, renewed an agreement (the "Zhongyue Tinplate Electricity Transaction Agreement") with 中山中粵馬口鐵工業有限公司 (Zhongshan Zhongyue Tinplate Industrial Co., Ltd.▲) ("Zhongyue Tinplate"), a wholly-owned subsidiary of Guangnan (Holdings) Limited, which is a 59.19% owned subsidiary of GDH Limited. Pursuant to the Zhongyue Tinplate Electricity Transaction Agreement, Zhongshan Energy Services agreed to supply, and Zhongyue Tinplate agreed to purchase, electricity through the power grid operated by 廣東電網有限責任公司 (Guangdong Power Grid Company Limited) on a continuing basis for the period from 1 January 2019 to 31 December 2019; and

39. Connected Transactions (continued)

(B) Continuing Connected Transactions (continued)

(d) Electricity Transaction Agreements (continued)

(ii) On 6 November 2018, Zhongshan Energy Services entered into an agreement (the "Nansha Water Electricity Transaction Agreement") with 廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd.▲) ("Nansha Water"), a company indirectly owned by the Company and Guangdong Holdings as to 49% and 11% respectively. Pursuant to the Nansha Water Electricity Transaction Agreement, Zhongshan Energy Services agreed to supply, and Nansha Water agreed to purchase, electricity through the power grid operated by 廣州供電局有限公司 (Guangzhou Power Supply Co. Ltd.) on a continuing basis for the period from 1 January 2019 to 31 December 2019.

The supply of electricity agreements under items (i) and (ii) are collectively referred to as the "Electricity Transaction Agreements". During the year ended 31 December 2019, the total amount in accordance with the terms of the transactions contemplated under the Electricity Transaction Agreements amounted to approximately RMB32,690,000 (equivalent to approximately HK$37,175,000) (2018: RMB28,166,000 (equivalent to approximately HK$33,357,000), under the agreement(s) in force over the relevant previous period).

(e) Settlement and Deposit Services Cooperation Agreements

(i) On 2 November 2018, GDTDS, an indirect subsidiary of the Company, entered into an agreement in relation to (i) settlement services, and (ii) deposit services provided by GDH Finance to GDTDS and its subsidiary(ies) ("GDTDS Group") ("GDTDS Settlement and Deposit Services Cooperation Agreement") with GDH Finance pursuant to which (i) GDH Finance has been engaged to settle, at the instruction of GDTDS Group, outstanding invoices issued to GDTDS Group with available funds temporarily deposited by GDTDS Group from time to time according to its business needs and at its discretion in a current account opened with GDH Finance; and (ii) GDTDS Group and GDH Finance shall further enter into certain account opening/operation agreements for the purpose of facilitating the performance of the GDTDS Settlement and Deposit Services Cooperation Agreement for the period from 2 November 2018 to 1 November 2020. All service fees on wire transfers, account management and confirmation of balance will be waived by GDH Finance. The rates at which interest will accrue on the agreed deposit placed by GDTDS Group with GDH Finance under the GDTDS Settlement and Deposit Services Cooperation Agreement will be 50% higher than the RMB Agreed Deposit Rate offered by financial institutions as announced by the People's Bank of China from time to time, subject to amendment between the parties upon change of the relevant regulatory policies; and

(ii) On 8 November 2019, Zhongshan Energy, an indirect subsidiary of the Company, and GDH Finance entered into an agreement in relation to (i) settlement services, and (ii) deposit services provided by GDH Finance to Zhongshan Energy and its subsidiary(ies) ("Zhongshan Energy Group") ("Zhongshan Energy Settlement and Deposit Services Cooperation Agreement") pursuant to which (i) GDH Finance has been engaged to settle, at the instruction of Zhongshan Energy Group, outstanding invoices issued to Zhongshan Energy Group with available funds temporarily deposited by Zhongshan Energy Group from time to time according to its business needs and at its discretion in a current account opened with GDH Finance; and (ii) Zhongshan Energy Group and GDH Finance shall further enter into certain account opening/operation agreements for the purpose of facilitating the performance of the Zhongshan Energy Settlement and Deposit Services Cooperation Agreement for the period from 8 November 2019 to 7 November 2020. All service fees on wire transfers, account management and confirmation of balance will be waived by GDH Finance. The rates at which interest will accrue on the agreed deposit placed by Zhongshan Energy Group with GDH Finance under the Zhongshan Energy Settlement and Deposit Services Cooperation Agreement will be 50% higher than the RMB Agreed Deposit Rate offered by financial institutions as announced by the People's Bank of China from time to time, subject to amendment between the parties upon change of the relevant regulatory policies.

The above cooperation agreements are collectively referred to as the "Settlement and Deposit Services Cooperation Agreements". As at 31 December 2019, the bank deposits and accrued interest income placed at GDH Finance by GDTDS Group and Zhongshan Energy Group amounted to approximately RMB244,035,000 (equivalent to approximately HK$272,416,000) (2018: RMB29,998,000 (equivalent to approximately HK$34,237,000), under the agreement(s) in force over the relevant previous period).

39. Connected Transactions (continued)

(B) Continuing Connected Transactions (continued)

(f) Property Management Agreements

(i) On 31 May 2019, Wanye, an indirect subsidiary of the Company, entered into agreements (collectively the "Panyu Property Management Agreements") with 粵海物業管理有限公司 (Yuehai Property Management Co., Ltd.▲) ("Yuehai Property Management"), a non-wholly owned subsidiary of GDH Limited. Pursuant to the Panyu Property Management Agreements, Yuehai Property Management agreed to provide certain property management services of a large-scale integrated commercial project in 番禺萬博中央商務區 (Panyu Wanbo Central Business District) ("Panyu Project") for three years commencing on 1 June 2019. The service fees for the abovementioned services was paid by Wanye to Yuehai Property Management on a monthly basis and was calculated at the agreed monthly rates on a pro rata basis. Yuehai Property Management also provided certain preliminary property preparatory services to Wanye in respect of the sales and exhibition of Panyu Project for the period from 1 January 2019 to 31 May 2019. On 31 May 2019, Wanye and Yuehai Property Management renewed the agreement for the period from 1 June 2019 to 31 May 2021. The service fee was settled on a monthly basis and calculated on the basis of the salary and fringe benefits of the labour required to provide such services; and

(ii) On 26 October 2016, 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd.▲) ("Yuehai Property Co"), which became an indirect wholly-owned subsidiary of GD Land on 11 July 2018, entered into agreements (collectively the "Zhuguanglu Property Management Agreements") with Yuehai Property Management. Pursuant to the Zhuguanglu Property Management Agreements, Yuehai Property Management agreed to provide certain property management services in the residential and commercial properties located at 43-79 Zhuguang Road, Yuexiu District in Guangzhou, the PRC ("Zhuguanglu Properties ") (now known as Laurel House Properties) under the project of construction and development of the Zhuguanglu Properties undertaken by Yuehai Property Co (the "Zhuguanglu Project") (now known the Laurel House Project) for the period from 1 September 2016 to 31 August 2019. On 30 August 2019, Yuehai Property Co and Yuehai Property Management renewed the property management agreement for the period from 1 September 2019 to 31 December 2020. The service fees for the abovementioned services was paid by Yuehai Property Co to Yuehai Property Management on a monthly basis and was calculated at agreed monthly rates on a pro rata basis. Yuehai Property Management also provided certain preliminary property preparatory services to Yuehai Property Co in respect of the sales venue of Zhuguanglu Project for the period from 1 February 2018 to 31 January 2019. On 31 January 2019, Yuehai Property Co and Yuehai Property Management renewed the agreement for the period from 1 February 2019 to 31 December 2019. The service fee was settled on a monthly basis and calculated on the basis of the salary and fringe benefits of the labour required to provide such services.

The above property management agreements are collectively referred to as the "Property Management Agreements". During the year ended 31 December 2019, the total amount paid in accordance with the terms of the Property Management Agreements amounted to approximately RMB14,163,000 (equivalent to approximately HK$16,106,000) (2018: RMB2,248,000 (equivalent to approximately HK$2,662,000), under the agreement(s) in force over the relevant previous period).

39. Connected Transactions (continued)

(B) Continuing Connected Transactions (continued)

(g) *Consortium Agreement and Supplemental Consortium Agreement of Yangtze River Water Diversion Project*

On 18 May 2019, the Private Partners successfully bid for the Yangtze River Water Diversion Project as mentioned in Note 39(A)(c) in this Report. According to the relevant law, the Private Partners signed a consortium agreement on 7 January 2019, according to which, each of the Private Partners will be jointly and severally liable for the Yangtze River Water Diversion Project. As such, each of the Company and Guangdong Water Co. is contingently liable for the other's liability, constituting the Company's financial assistance to Guangdong Water Co. After deducting the registered capital of approximately RMB231,132,300 (equivalent to approximately HK$269,430,922) injected by Xinghua City Construction Investment Co., Ltd. into the joint venture company, a limited liability company to be established by the Private Partners and Xinghua City Construction Investment Co., Ltd. in the PRC pursuant to the Joint Venture Agreement, the Company is likely to invest a maximum of approximately RMB2,528,656,700 (equivalent to approximately HK$2,947,655,115) in relation to the Yangtze River Water Diversion Project, inter alia, the Company shall be liable in respect of the obligation of Guangdong Water Co in the maximum amount of RMB400,169,405 (being 14.5% of the total investment of Guangdong Water Co in the Yangtze River Water Diversion Project, equivalent to approximately HK$466,477,475) (the "Financial Assistance").

The Private Partners also signed a supplemental consortium agreement on 6 May 2019, pursuant to which, each of the Private Partners will inject the registered capital in the proportion of their equity interests at the same time whilst the Company and Guangdong Water Co shall be liable for not more than the balance of the total investment of the Yangtze River Water Diversion Project in the relevant proportion of their respective equity interests. It entails that the Company and Guangdong Water Co shall only undertake not more than the project financing and/or guarantee liability of the Yangtze River Water Diversion Project. Accordingly, taking into account the proportionate registered capital contributed by Jiangsu Chunghe Yongtai and CFMG, together with Guangdong Water Co's proportionate registered capital contribution and responsibility for the project financing and/or joint guarantees, the Company is likely to invest a maximum of RMB1,891,139,837 (equivalent to approximately HK$2,204,501,708).

During the year ended 31 December 2019, the amount of the Financial Assistance by the Company did not exceed the maximum amount of the Financial Assistance as mentioned in the announcement dated 20 May 2019.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have unanimously confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the HKICPA. The Company's auditor has issued its unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

40. Pledge of Assets

Details of the Group's assets, which are secured for the Group's bank and other borrowings, guarantee and performance obligations of certain service concession agreements, are set out in notes 14, 20, 24 and 27 to these financial statements.

41. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2019

	Equity investment at fair value through other comprehensive income HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Receivables under a cooperative arrangement	–	1,151,590	1,151,590
Equity investment designated at fair value through other comprehensive income	10,146	–	10,146
Financial assets included in receivables under service concession arrangements	–	3,140,398	3,140,398
Financial assets included in receivables, prepayments and other receivables	–	1,095,393	1,095,393
Due from associates	–	2,191	2,191
Due from non-controlling equity holders of subsidiaries	–	65,703	65,703
Pledged bank deposits	–	42,895	42,895
Restricted bank balances	–	954,719	954,719
Cash and cash equivalents	–	12,346,768	12,346,768
	10,146	18,799,657	18,809,803

41. Financial Instruments by Category (continued)

Financial assets (continued)

2018

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Designated as such upon initial recognition HK$'000	Equity investment HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Receivables under a cooperative arrangement	–	–	414,701	414,701
Equity investment designated at fair value through other comprehensive income	–	10,191	–	10,191
Financial assets at fair value through profit or loss	7,399,210	–	–	7,399,210
Other financial assets at amortised cost	–	–	1,597,820	1,597,820
Financial assets included in receivables under service concession arrangements	–	–	764,000	764,000
Financial assets included in receivables, prepayments and other receivables	–	–	969,107	969,107
Due from associates	–	–	748	748
Due from non-controlling equity holders of subsidiaries	–	–	66,670	66,670
Pledged bank deposits	–	–	42,278	42,278
Restricted bank balances	–	–	641,314	641,314
Cash and cash equivalents	–	–	7,645,121	7,645,121
	7,399,210	10,191	12,141,759	19,551,160

Financial liabilities

	Financial liabilities at amortised cost	
	2019 HK$'000	2018 HK$'000
Financial liabilities included in payables, accruals and other liabilities	**4,613,799**	4,324,754
Due to non-controlling equity holders of subsidiaries	**167,215**	159,000
Bank and other borrowings	**8,137,278**	8,857,007
Lease liabilities	**672,834**	–
	13,591,126	13,340,761

42. Fair Value Hierarchy of Financial Instruments

Aside from receivables under a cooperative arrangement, the non-current portions of receivables under service concession arrangements, the non-current portion of financial assets included in receivables, prepayments and other receivables, the non-current portion of bank and other borrowings, the non-current portion of lease liabilities, Put Option, financial assets at fair value through profit or loss and equity investment designated at fair value through other comprehensive income, management has assessed that the fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts as at 31 December 2019 and 31 December 2018 because of the immediate or short-term maturities of these financial instruments.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the receivables under a cooperative arrangement, the non-current portion of receivables under service concession arrangements, the non-current portion of financial assets included in receivables, prepayments and other receivables, the non-current portion of bank and other borrowings, Put Option and the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank and other borrowings as at 31 December 2019 and 31 December 2018 was assessed to be insignificant. The carrying amounts of these assets and liabilities approximate their fair values.

The Group invests unlisted wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair value of unlisted equity investment designated at fair value through other comprehensive income has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investment to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For financial instrument in Level 3, prices are determined using valuation technique such as market-based valuation technique. Categorisation of fair value measures within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable inputs to the overall fair value measurement.

42. Fair Value Hierarchy of Financial Instruments (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments in Level 3 as at 31 December 2019 and 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Market multiples	Average P/E multiple of peers	2019: 17.30 (2018: 26.35)	The higher the multiple, the higher the fair value
		Discount for lack of marketability	2019: 30.00% (2018: 30.84%)	The higher the discount, the lower the fair value

The fair value of the financial instruments in Level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
As at 31 December 2019				
Equity investment designated at fair value through other comprehensive income	**–**	**–**	**10,146**	**10,146**
As at 31 December 2018				
Equity investment designated at fair value through other comprehensive income	–	–	10,191	10,191
Financial assets at fair value through profit or loss	–	7,399,210	–	7,399,210
	–	7,399,210	10,191	7,409,401

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2018: Nil).

The movements during the year in the balance of the Level 3 financial instrument is as follows:

	2019 HK$'000	2018 HK$'000
Equity investment at fair value through other comprehensive income:		
At 1 January	**10,191**	5,555
Total gains recognised in other comprehensive income	**182**	5,076
Exchange realignment	**(227)**	(440)
At 31 December	**10,146**	10,191

43. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, comprise bank and other borrowings, financial assets at fair value through profit or loss, other financial assets at amortised cost, cash and cash equivalents, lease liabilities and short term time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as receivables under service concession arrangements, trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(i) Interest rate risk

The Group's exposure to the risk for changes in market interest rate relates primarily to the Group's debt obligations with a floating interest rate.

With all other variables held constant, a general increase of 100 basis points in the interest rate would have decreased the Group's profit before tax by HK$71,758,000 for the year ended 31 December 2019. Whereas, a general decrease of 10 basis points in the interest rate would have increased the Group's profit before tax by HK$7,176,000 for the year ended 31 December 2019.

With all other variables held constant, a general increase of 100 basis points in the interest rate would have decreased the Group's profit before tax by HK$78,930,000 for the year ended 31 December 2018. Whereas, a general decrease of 10 basis points in the interest rate would have increased the Group's profit before tax by HK$7,893,000 for the year ended 31 December 2018.

(ii) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from revenue or expenses of operating units in currencies other than the units' functional currencies. The Group's monetary assets, financing and transactions were principally denominated in RMB and HK$. The Group is exposed to foreign exchange risk arising from changes in the exchange rate of HK$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future as may be necessary.

With all other variables held constant, if the Hong Kong dollar strengthened against RMB exchange rate by three percent, the Group's profit before tax would have increased by HK$36,837,000 for the year ended 31 December 2019. Whereas, if the Hong Kong dollar weakened against RMB exchange rate by three percent, the Group's profit before tax would have decreased by HK$36,837,000 for the year ended 31 December 2019.

With all other variables held constant, if the Hong Kong dollar strengthened against RMB exchange rate by three percent, the Group's profit before tax would have increased by HK$12,921,000 for the year ended 31 December 2018. Whereas, if the Hong Kong dollar weakened against RMB exchange rate by three percent, the Group's profit before tax would have decreased by HK$12,921,000 for the year ended 31 December 2018.

43. Financial Risk Management Objectives and Policies (continued)

(iii) Credit risk

The Group trades only with creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 December 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Trade receivables*	–	–	–	834,459	834,459
Receivables under a cooperative arrangement	1,151,590	–	–	–	1,151,590
Due from associates	2,191	–	–	–	2,191
Due from non-controlling equity holders of subsidiaries	65,703	–	–	–	65,703
Receivables and contract assets under service concession arrangements	4,603,431	–	–	–	4,603,431
Financial assets and contract assets included in prepayments and other receivables					
– Normal**	284,699	–	–	136,136	420,835
Pledged bank deposits					
– Not yet past due	42,895	–	–	–	42,895
Restricted bank balances					
– Not yet past due	954,719	–	–	–	954,719
Cash and cash equivalents					
– Not yet past due	12,346,768	–	–	–	12,346,768
	19,451,996	–	–	970,595	20,422,591

43. Financial Risk Management Objectives and Policies (continued)

(iii) Credit risk (continued)

Maximum exposure as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Trade receivables*	–	–	–	616,140	616,140
Receivables under a cooperative arrangement	414,701	–	–	–	414,701
Other financial asset at amortised cost	1,597,820	–	–	–	1,597,820
Due from associates	748	–	–	–	748
Due from non-controlling equity holders of subsidiaries	66,670	–	–	–	66,670
Receivables and contract assets under service concession arrangements	1,505,370	–	–	–	1,505,370
Financial assets included in prepayments and other receivables					
– Normal**	352,967	–	–	–	352,967
Pledged bank deposits					
– Not yet past due	42,278	–	–	–	42,278
Restricted bank balances					
– Not yet past due	641,314	–	–	–	641,314
Cash and cash equivalents					
– Not yet past due	7,645,121	–	–	–	7,645,121
	12,266,989	–	–	616,140	12,883,129

* *For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the financial statements.*

** *The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".*

Except for the financial guarantees given by the Group as set out in note 36, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 36.

43. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The Group will consistently maintain a prudent financing policy and ensure that it maintains sufficient cash and credit lines to meet its liquidity requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
31 December 2019						
Financial liabilities included in payables, accruals and other liabilities	**584,825**	**2,729,054**	**323,661**	**976,259**	**–**	**4,613,799**
Due to non-controlling equity holders of subsidiaries	**–**	**–**	**167,215**	**–**	**–**	**167,215**
Bank and other borrowings	**–**	**21,822**	**1,706,593**	**6,499,842**	**640,659**	**8,868,196**
Lease liabilities	**–**	**16,936**	**49,777**	**430,556**	**372,688**	**869,957**
	584,825	**2,767,812**	**2,247,246**	**7,906,657**	**1,013,347**	**14,519,887**

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
31 December 2018						
Financial liabilities included in payables, accruals and other liabilities	626,366	2,924,455	503,864	287,596	–	4,342,281
Due to non-controlling equity holders of subsidiaries	–	–	159,000	–	–	159,000
Bank and other borrowings	–	129,386	1,728,805	7,746,001	24,410	9,628,602
	626,366	3,053,841	2,391,669	8,033,597	24,410	14,129,883

The Group is exposed to liquidity risk that arises from financial guarantees as set out in note 36 to the financial statements. As at 31 December 2019, the maximum amounts that the Group could be required to settle on demand under the arrangements for the full guaranteed amount if that amount is claimed by the counterparty to the guarantees was HK$736,124,000 (2018: HK$426,200,000).

43. Financial Risk Management Objectives and Policies (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

The Group monitors capital using a net debt to adjusted capital ratio which is net debt divided by total adjusted capital. The Group's policy is to keep the ratio lower than 100%. Net debt includes amounts due to non-controlling equity holders of subsidiaries, bank and other borrowings, loans from a fellow subsidiary, less cash and cash equivalents.

	2019 HK$'000	2018 HK$'000
Due to non-controlling equity holders of subsidiaries	**167,215**	159,000
Bank and other borrowings	**8,137,278**	8,857,007
Loans from a fellow subsidiary	**–**	395,255
Less: Cash and cash equivalents	**(12,346,768)**	(7,645,121)
Net debt/(cash)	**(4,042,275)**	1,766,141
Equity attributable to owners of the Company	**41,156,367**	40,372,255
Net debt to adjusted capital ratio	**N/A**	4%

44. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	667	1,345
Investments in subsidiaries	12,012,779	11,376,619
Investments in associates	439,123	55,306
Total non-current assets	12,452,569	11,433,270
CURRENT ASSETS		
Amounts due from subsidiaries	11,530,175	9,556,608
Receivables, prepayments and other receivables	5,868	1,315
Cash and cash equivalents	1,123,505	1,005,994
Total current assets	12,659,548	10,563,917
CURRENT LIABILITIES		
Amounts due to subsidiaries	(5,565,070)	(2,321,310)
Payables, accruals and other liabilities	(98,331)	(117,328)
Bank borrowings	(1,000,000)	(1,000,000)
Total current liabilities	(6,663,401)	(3,438,638)
NET CURRENT ASSETS	5,996,147	7,125,279
TOTAL ASSETS LESS CURRENT LIABILITIES	18,448,716	18,558,549
NON-CURRENT LIABILITIES		
Deferred tax liabilities	(24,919)	(13,185)
Bank borrowings	(3,892,440)	(5,057,370)
Total non-current liabilities	(3,917,359)	(5,070,555)
Net assets	14,531,357	13,487,994
EQUITY		
Share capital	8,966,177	8,966,177
Reserves *(note)*	5,565,180	4,521,817
Total equity	14,531,357	13,487,994

Hou Wailin
Director

Tsang Hon Nam
Director

44. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve HK$'000	Share option reserve HK$'000 *(note 32(ii))*	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	1,733,711	15,134	(14,813)	3,922,597	5,656,629
Equity-settled share option arrangements	–	109	–	–	109
Share options lapsed	–	(15,243)	–	15,243	–
Total comprehensive income for the year	–	–	–	2,133,989	2,133,989
Final 2017 dividend paid	–	–	–	(2,222,859)	(2,222,859)
Interim 2018 dividend paid	–	–	–	(1,046,051)	(1,046,051)
At 31 December 2018	1,733,711	–	(14,813)	2,802,919	4,521,817

	Capital reserve HK$'000	**Exchange fluctuation reserve HK$'000**	**Retained profits HK$'000**	**Total HK$'000**
At 1 January 2019	**1,733,711**	**(14,813)**	**2,802,919**	**4,521,817**
Total comprehensive income for the year	**–**	**–**	**4,626,089**	**4,626,089**
Final 2018 dividend paid	**–**	**–**	**(2,451,683)**	**(2,451,683)**
Interim 2019 dividend paid	**–**	**–**	**(1,131,043)**	**(1,131,043)**
At 31 December 2019	**1,733,711**	**(14,813)**	**3,846,282**	**5,565,180**

45. Event After the Reporting Period

On 15 February 2020, the Group received a notice from the Ministry of Transport (the "MOT") of the PRC in relation to the Exemption of Toll Fees Payable for Toll Roads during the Control Period of the Novel Coronavirus Disease (《交通運輸部關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》(交公路明電[2020] 62號)), pursuant to which, according to the consent from the State Council of the PRC, it will exempt the toll fees payable by all vehicles passing through toll roads (including toll bridges and tunnels) approved and established in accordance with the Highway Law of the People's Republic of China (《中華人民共和國公路法》) and the Regulation on Toll Road Management (《收費公路管理條例》) from 0:00 a.m. on 17 February 2020 to the end of the prevention and control period of the novel coronavirus disease (COVID-19) until further notice (the "MOT Notice"). In accordance with the MOT Notice, the Group exempts the toll fees of vehicles passing along the Xingliu Expressway from the specified time until further notice from the government authorities.

Given that the contribution from the Group's road and bridge operating segment mainly represents toll revenue from vehicles using the Xingliu Expressway, the Directors expect that, subject to the timing when the implementation of the MOT Notice comes to an end, the COVID-19 outbreak is expected to have a significant adverse impact on the results of the Group's road and bridge business segment.

The COVID-19 outbreak (which is now a pandemic) has led to substantial global travel bans and lockdowns and is posing a significant threat to the global economy. Therefore, the Group expects the performance of the Group's property investment and development, department store operation and hotel operation and management businesses will be negatively impacted in 2020.

As the full impact and the duration of the outbreak cannot be estimated at this point in time, the Group will closely monitor the situation and continue to assess the impact of the epidemic on the operations and financial performance of the Group.

46. Comparative Amounts

As further explained to note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

47. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 27 March 2020.

MAJOR PROPERTIES HELD BY THE GROUP

31 December 2019

Details of Property, Plant and Equipment

Property	Lot No.	Use
The Wharney Guang Dong Hotel Hong Kong 57–73 Lockhart Road and 84–88 Jaffe Road Wan Chai Hong Kong	Subsection 1 of Section E and Subsection 2 of Section D of Inland Lot No. 2819, Section F of Inland Lot No. 2818, the remaining portion of Inland Lot No. 2817, Section G of Inland Lot No. 2818 and the remaining portion of Section D of Inland Lot No. 2817	Hotel
Guangdong Hotel (Hong Kong) 18 Prat Avenue Tsimshatsui Kowloon Hong Kong	Kowloon Inland Lot Nos. 8340, 8342, 8550, 8748 and 8915	Hotel
Sheraton Guangzhou Hotel No. 208 Tianhe Road Tianhe District Guangzhou Guangdong Province Mainland China	N/A	Hotel
Guangdong Hotel (Shen Zhen) Shennan East Road Luohu District Shenzhen Guangdong Province Mainland China	N/A	Hotel
Guangdong Hotel (Zhu Hai) No. 1145 Yuehai Road East Gongbei, Zhuhai Guangdong Province Mainland China	N/A	Hotel
Zhongshan Energy Plant Lands and various buildings and structures of Huang Pu Town Zhongshan City Guangdong Province Mainland China	N/A	Factory
Flat Roof of 2nd Floor, 18th Floor, Unit B on 22nd Floor, 28th Floor, Units A and B2 on 29th Floor Guangdong Investment Tower 148 Connaught Road Central Hong Kong	Part of Marine Lot No. 332, Marine Lot No. 333, Section A and the remaining portion of Marine Lot No. 334, Marine Lot No. 335, Section A and the remaining portion of Marine Lot No. 336, Inland Lot No. 2142 and Inland Lot No. 2143	Office
Qingxi Water Distribution Facilities by the side of Shangyuan Road Sanken Reservoir, by the side of Donghuan Road Qiyeshi Reservoir and No. 28 Qingxi Avenue Qingxi Town Dongguan Guangdong Province Mainland China	N/A	Water distribution facilities

Details of Operating Concession Rights

Intangible Assets	Existing use
Water Supply Project's (from Dongguan to Shenzhen) land use rights, reservoirs and related buildings	Water Distribution
Toll Road Project's operating rights and related buildings	Toll Road

Details of Investment Properties

Property	Interest in property attributable to the Group	Category of lease	Existing use
Teem Tower and Teemall No. 208 Tianhe Road Tianhe District, Guangzhou Guangdong Province Mainland China	76.13%	Medium term	Commercial and shopping mall
Ground Floor, 1st Floor, 5th–10th Floors, Unit A and B2 of 11th Floor, 12th Floor, 16th Floor, 19th Floor, Unit B on 20th Floor, Unit A on 22nd Floor, 23rd Floor, 25th–27th Floors, Unit B1 on 29th Floor and 30th Floor Guangdong Investment Tower 148 Connaught Road Central, Hong Kong	100%	Long term	Commercial
Tianjin Teem Shopping Mall No. 263 Heping Road Heping District Tianjin, Mainland China	76.02%	Medium term	Shopping mall

Details of Investment Properties Under Development and Properties held for sale Under Development

Property	Interest in property attributable to the Group	Site area (sq.m.)	Gross floor area (sq.m.)	Existing use
East of Yingbin Road Lirendong Village Nancun Town, Panyu District Guangzhou, Guangdong Province Mainland China	31.06%	38,469	266,339	Commercial/ office/mall
GDH City, 3008 Taibai Road, Luohu District, Shenzhen, Guangdong Province, Mainland China	73.82%	66,526	462,051	Commercial/ commercial apartment/ office/mall etc
Land Parcel at Chenyuan Road, Pengjiang District, Jiangmen City, Guangdong Province, Mainland China	73.82%	59,705	164,216	Residential/ commercial apartment

Details of Completed Properties Held for Sale

Property	Interest in property attributable to the Group	Site area (sq.m.)	Gross floor area (sq.m.)	Existing use
Ruyingju, South of Sanzhi Xiangshui Road Dongxiang Village, Dashi Town, Panyu District, Guangzhou, Guangdong Province, Mainland China	59.06%	38,771	126,182	Residential
Laurel House, Nos. 43–79 Zhuguang Road, Yuexiu District, Guangzhou City, Guangdong Province, Mainland China	73.82%	12,168	119,267	Residential
Panyu GDH Plaza, No. 81 Wanhui 2 Road, No. 180 Wanbo 2 Road, Nancun Town, Panyu District, Guangzhou, Guangdong Province, Mainland China	31.06%	5,671	76,400	Commercial/ commercial apartment

GUANGDONG INVESTMENT LIMITED
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