



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

Stock Code : 00270

2022

Annual Report



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Corporate Information

As at 30 March 2023

Board of Directors

Executive Directors

Mr. HOU Wailin (*Chairman*)
Mr. LIN Tiejun (*Vice Chairman*)
Mr. WEN Yinheng (*Managing Director*)
Mr. TSANG Hon Nam (*Deputy General Manager*)
Ms. LIANG Yuanjuan (*Chief Financial Officer*)

Non-Executive Directors

Mr. CAI Yong
Mr. LAN Runing
Mr. FENG Qingchun

Independent Non-Executive Directors

Dr. CHAN Cho Chak, John, *GBS, JP*
Mr. FUNG Daniel Richard, *SBS, QC, SC, JP*
Dr. the Honourable CHENG Mo Chi, Moses,
GBM, GBS, OBE, JP
Mr. LI Man Bun, Brian David, *JP, MA (Cantab), MBA, FCA*

Audit Committee

Mr. LI Man Bun, Brian David (*Committee Chairman*)
Dr. CHAN Cho Chak, John
Mr. FUNG Daniel Richard
Dr. the Honourable CHENG Mo Chi, Moses

Remuneration Committee

Dr. CHAN Cho Chak, John (*Committee Chairman*)
Mr. FUNG Daniel Richard
Dr. the Honourable CHENG Mo Chi, Moses
Mr. LI Man Bun, Brian David

Nomination Committee

Mr. HOU Wailin (*Committee Chairman*)
Dr. CHAN Cho Chak, John
Mr. FUNG Daniel Richard
Dr. the Honourable CHENG Mo Chi, Moses
Mr. LI Man Bun, Brian David

General Counsel & Company Secretary

Ms. YANG Na

Auditor

KPMG
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with the
Accounting and Financial Reporting Council Ordinance

Principal Bankers

Bank of China (Hong Kong) Limited
China CITIC Bank, Guangzhou Branch
China Merchants Bank
Chong Hing 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

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
17th Floor, Far East Finance Centre
16 Harcourt Road
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	16 June 2023 11:00 a.m.
Final Dividend	HK 42.62 cents per ordinary share, payable on or about 27 July 2023

Last Share Registration Date

For attending Annual General Meeting	12 June 2023, by 4:30 p.m.
For entitlement for Final Dividend	28 June 2023, by 4:30 p.m.

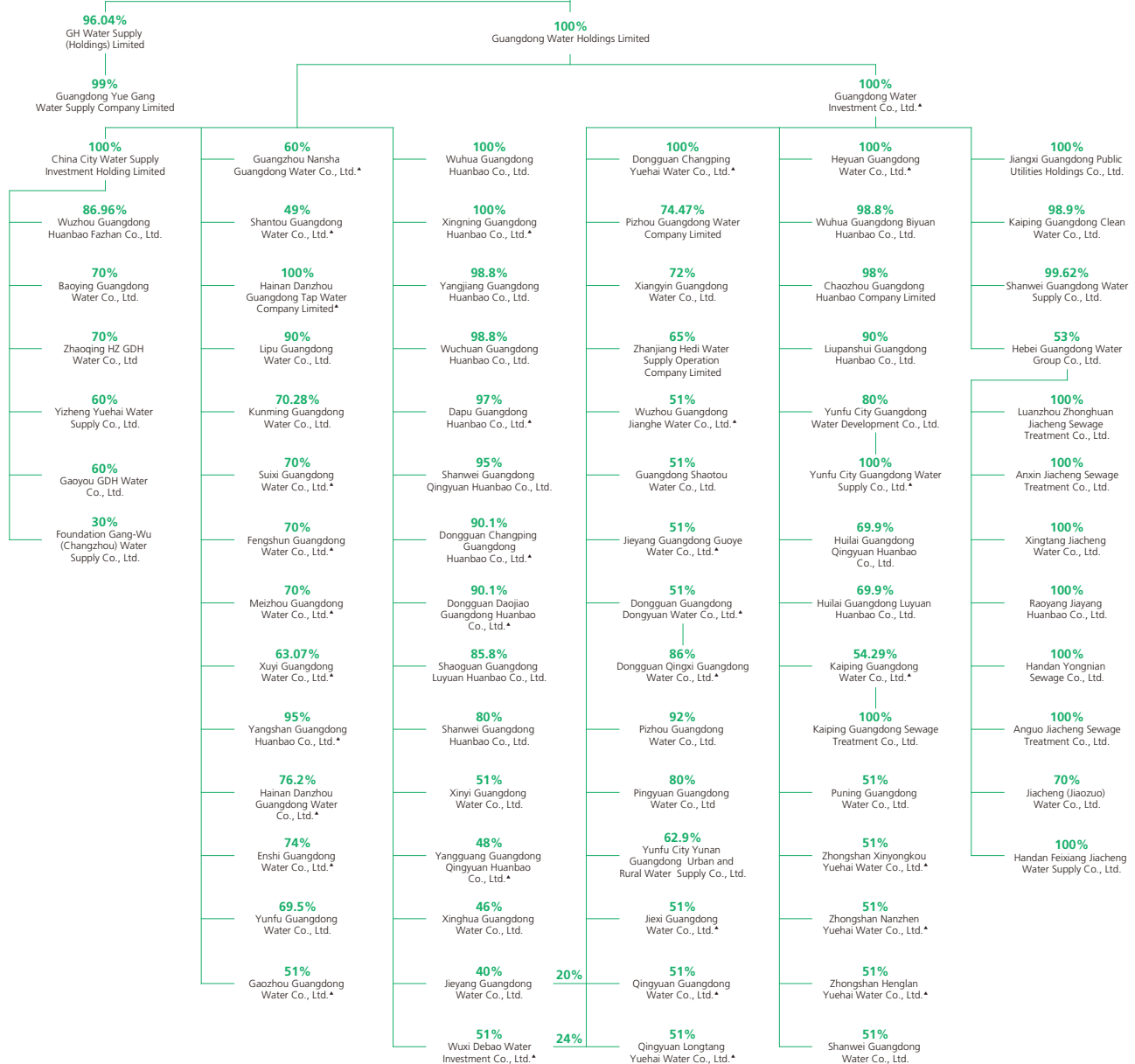
Closure of Register of Members

Final Dividend	29 June 2023
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The Group's Principal Businesses

As at 30 March 2023

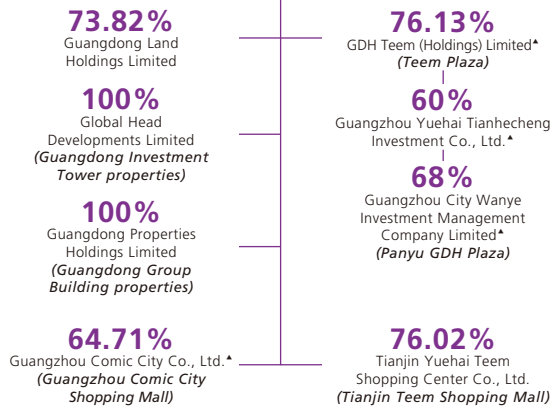
Water Resources



The Group's Principal Businesses

As at 30 March 2023

Property Investment and Development

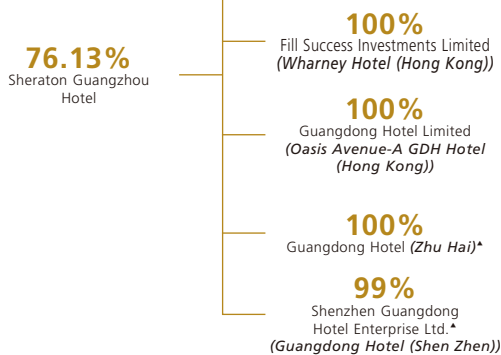


Department Store Operation

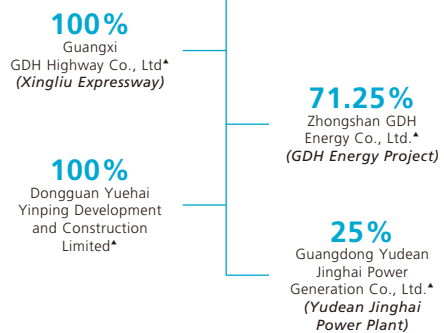


85.20%
GDH Teem Commercial Co., Ltd.

Hotel Ownership, Operation and Management



Energy Projects, Road and Bridge



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

Financial Highlights

Financial Highlights for the Year Ended 31 December

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	Changes %
Revenue	23,196,238	29,715,492	-21.9
Profit for the year attributable to owners of the Company	4,763,503	4,696,962	1.4
Earnings per share – Basic	HK 72.86 cents	HK 71.84 cents	1.4
Dividends per share			
Interim	HK 18.71 cents	HK 18.17 cents	
Proposed final	HK 42.62 cents	HK 42.54 cents	
	HK 61.33 cents	HK 60.71 cents	1.0
EBITDA	10,092,429	10,902,674	-7.4
Owners' equity	43,328,642	46,210,698	-6.2
Total assets	133,514,620	130,030,823	2.7
Net financial borrowings ⁷	31,797,468	19,264,453	65.1

Key Ratios

	2022	2021
Gearing ¹	78.35%	48.86%
Interest cover ²	6.72X	12.82X
Liquidity ³	1.46X	1.37X
Return on average shareholders' funds ⁴	10.64%	10.39%
Post-tax return on average assets ⁵	4.19%	5.00%
Dividend payout ratio ⁶	84.18%	84.51%

Share Information (as at 31 December)

	2022	2021
Number of ordinary shares issued	6,538m	6,538m
Market capitalisation	HK\$52,237m	HK\$64,594m
Closing market price per share	HK\$7.99	HK\$9.88
Basic and diluted earnings per share	HK 72.86 cents	HK 71.84 cents
Net asset value ⁸ per share	HK\$6.63	HK\$7.07

Financial Highlights

Notes:

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

Analysis of gross financial borrowings (as at 31 December)

	2022 HK\$'000	2021 HK\$'000
Loan maturity profile		
Within 1 year	10,044,788	7,046,689
In the 2nd year	14,072,650	4,520,685
In the 3rd to 5th year	7,493,565	10,134,125
Over 5 years	9,124,585	7,158,054
	40,735,588	28,859,553
Currency	%	%
Hong Kong dollars	20.8	25.5
Renminbi	79.2	74.5
Interest rate	%	%
Floating	79.5	99.0
Fixed	20.3	0.5
Non-interest bearing	0.2	0.5

Source of financing (as at 31 December 2022)

	Available and committed %	Utilised %
Bank and other borrowings	99.8	99.8
Non-interest bearing borrowings	0.2	0.2
	100.0	100.0

Financial Highlights

Analysis of the Group's Businesses

Year ended 31 December 2022

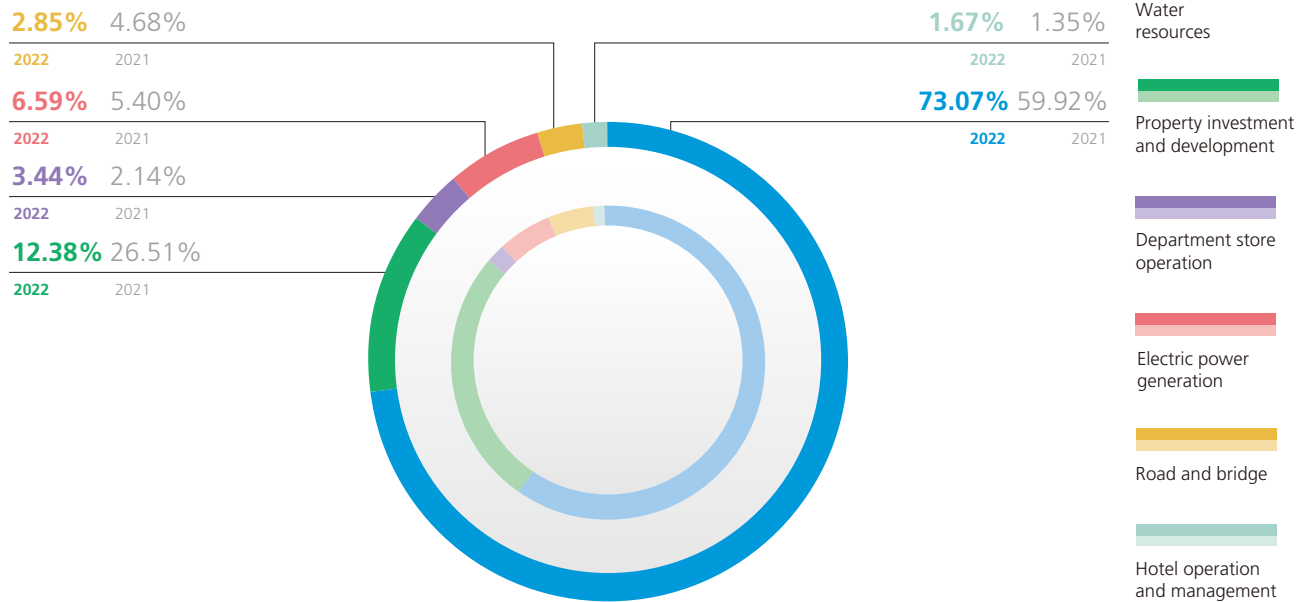
	Revenue		Segment results	
	HK\$'000	%	HK\$'000	%
By Activity:				
Water resources	16,949,113	73.07	5,634,624	68.22
Property investment and development	2,870,880	12.38	2,150,806	26.04
Department store operation	798,860	3.44	33,797	0.41
Electric power generation	1,529,210	6.59	(54,339)	–
Hotel operation and management	386,660	1.67	(56,454)	–
Road and bridge	661,515	2.85	440,499	5.33
Others and elimination	–	–	(288,958)	–
	23,196,238	100.00	7,859,975	100.00
By Geographical Area:				
Mainland China	22,999,463	99.15		
Hong Kong	196,775	0.85		
	23,196,238	100.00		

Year ended 31 December 2021

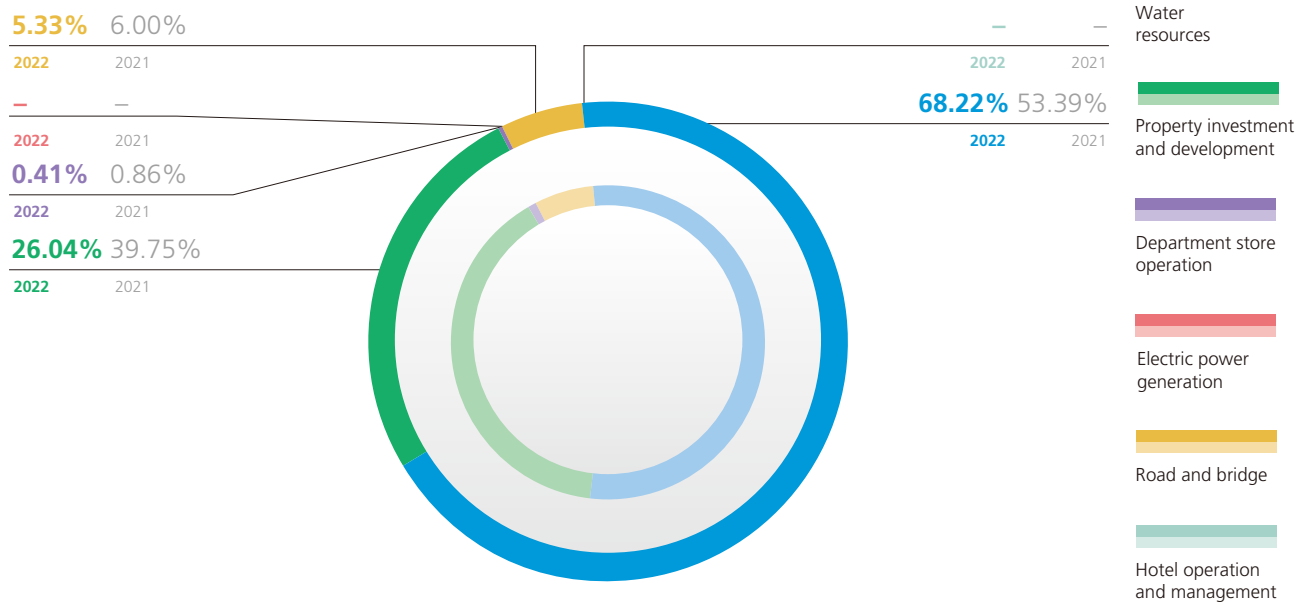
	Revenue		Segment results	
	HK\$'000	%	HK\$'000	%
By Activity:				
Water resources	17,805,801	59.92	4,851,684	53.39
Property investment and development	7,878,330	26.51	3,611,902	39.75
Department store operation	636,688	2.14	77,890	0.86
Electric power generation	1,605,205	5.40	(193,222)	–
Hotel operation and management	398,033	1.35	(31,389)	–
Road and bridge	1,391,435	4.68	545,359	6.00
Others and elimination	–	–	(59,681)	–
	29,715,492	100.00	8,802,543	100.00
By Geographical Area:				
Mainland China	29,554,635	99.46		
Hong Kong	160,857	0.54		
	29,715,492	100.00		

Financial Highlights

Revenue by Operating Segments

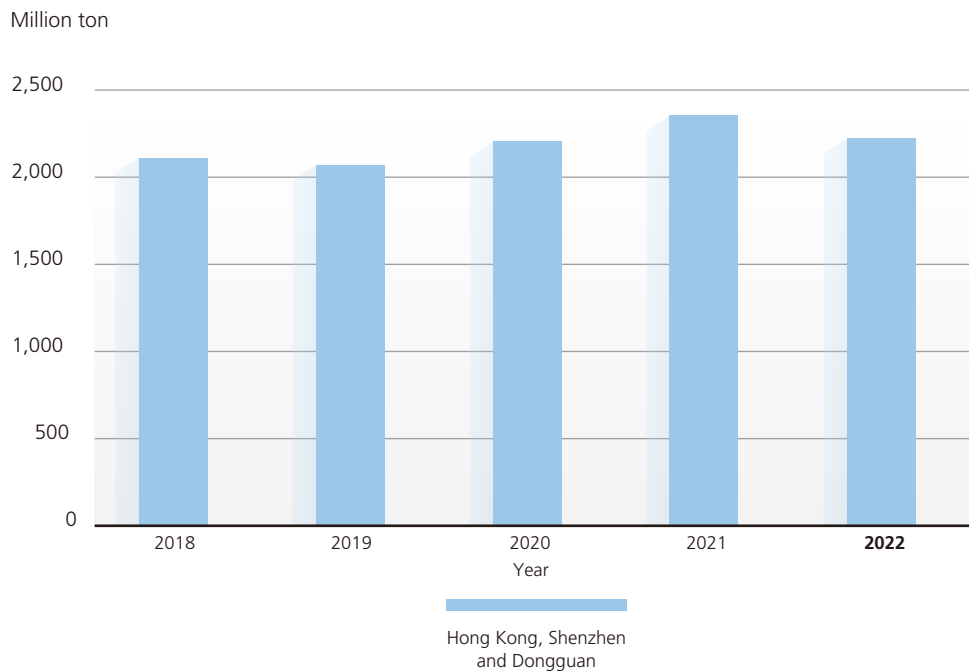


Segment Results by Operating Segments

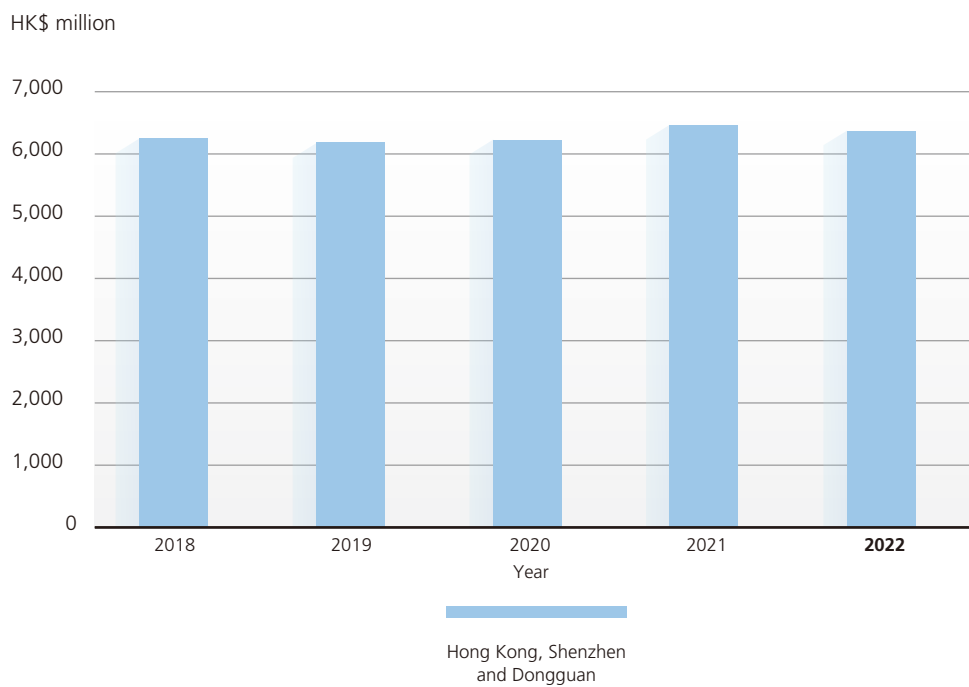


Financial Highlights

Water Distribution – Annual Volume

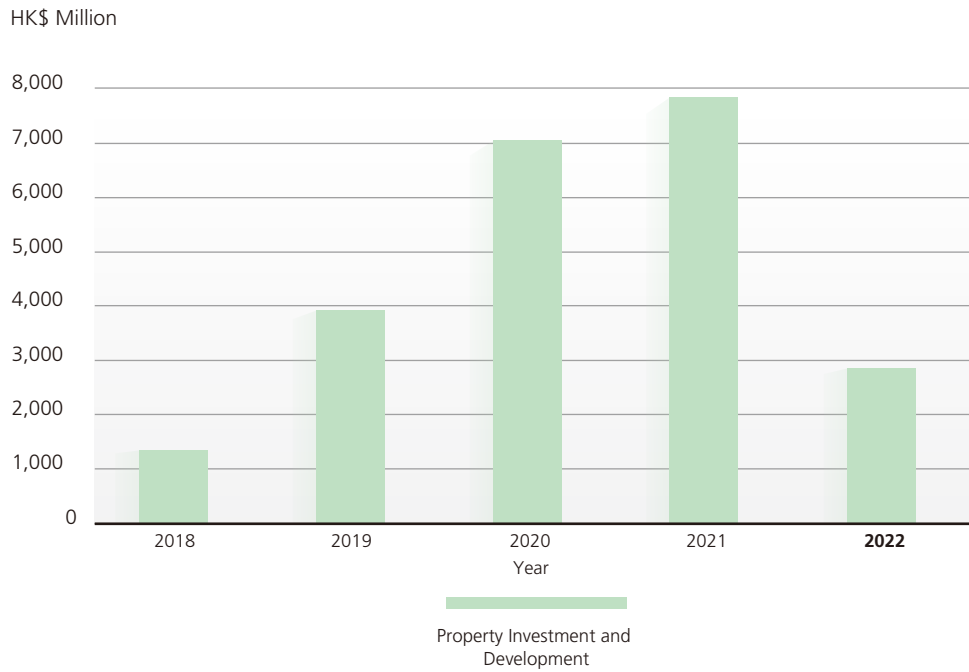


Water Distribution – Annual Revenue

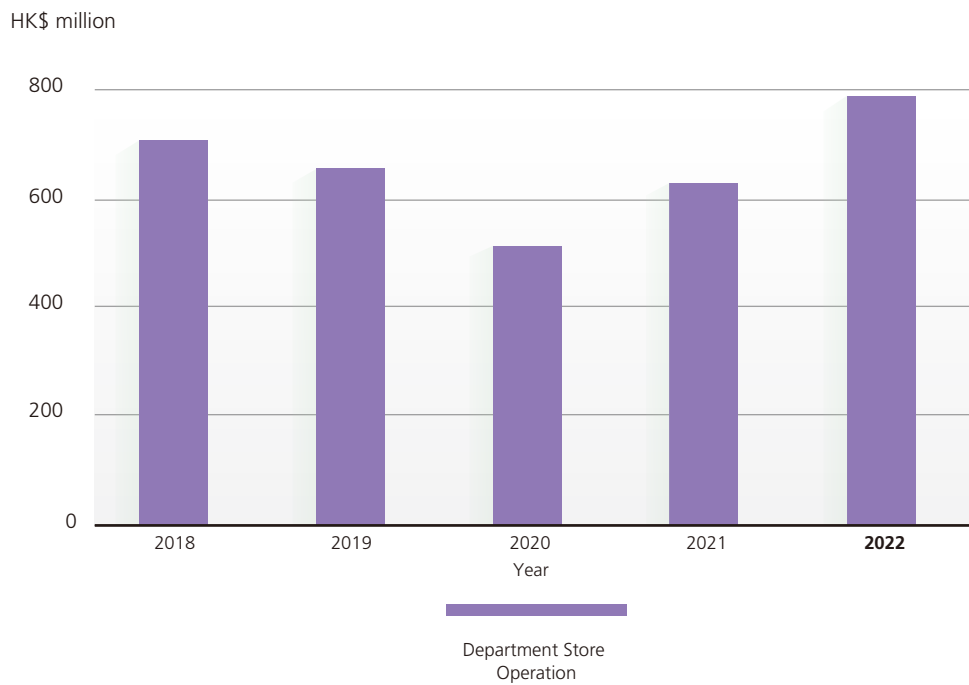


Financial Highlights

Property Investment and Development – Annual Revenue

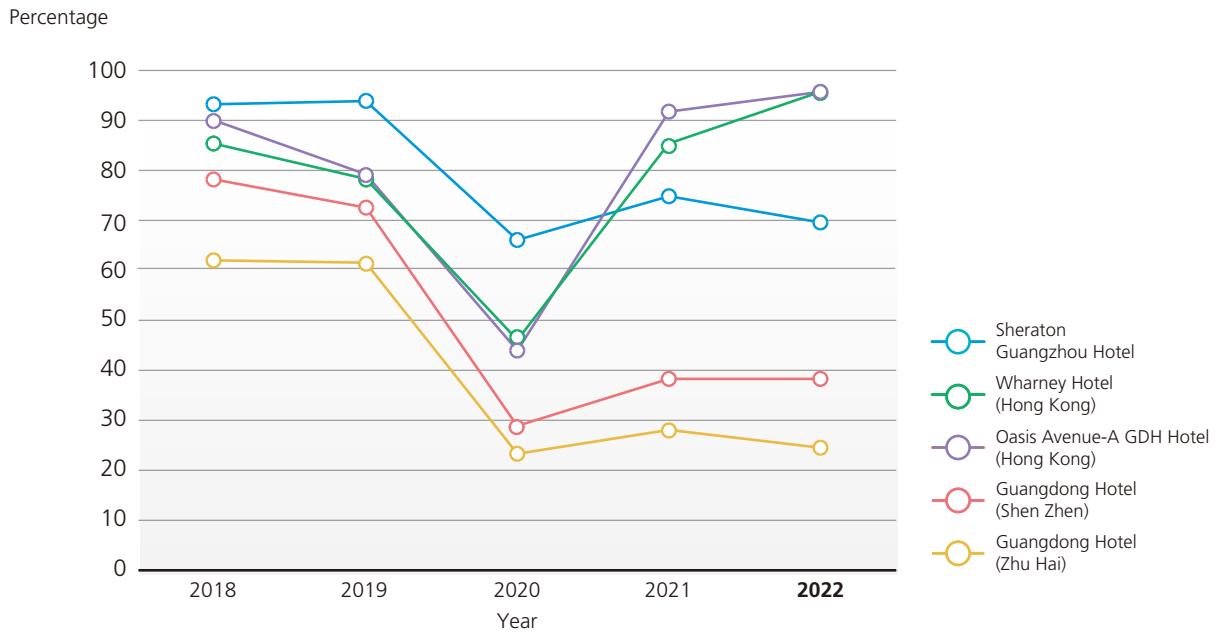


Department Store Operation – Annual Revenue

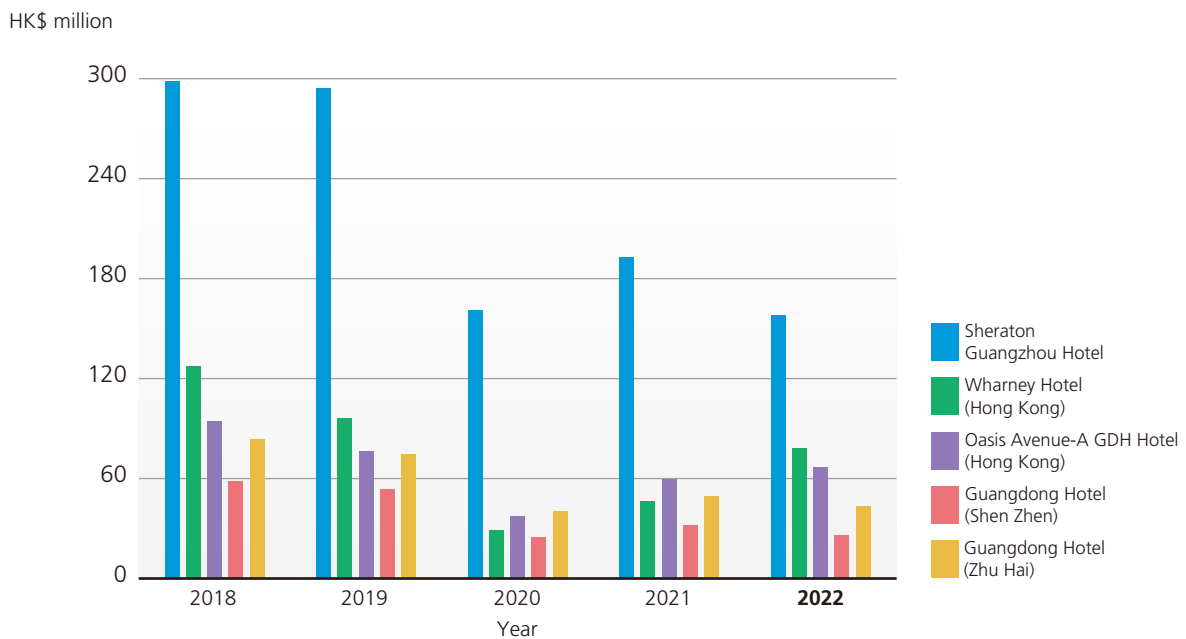


Financial Highlights

Hotel Operation and Management – Occupancy Rate

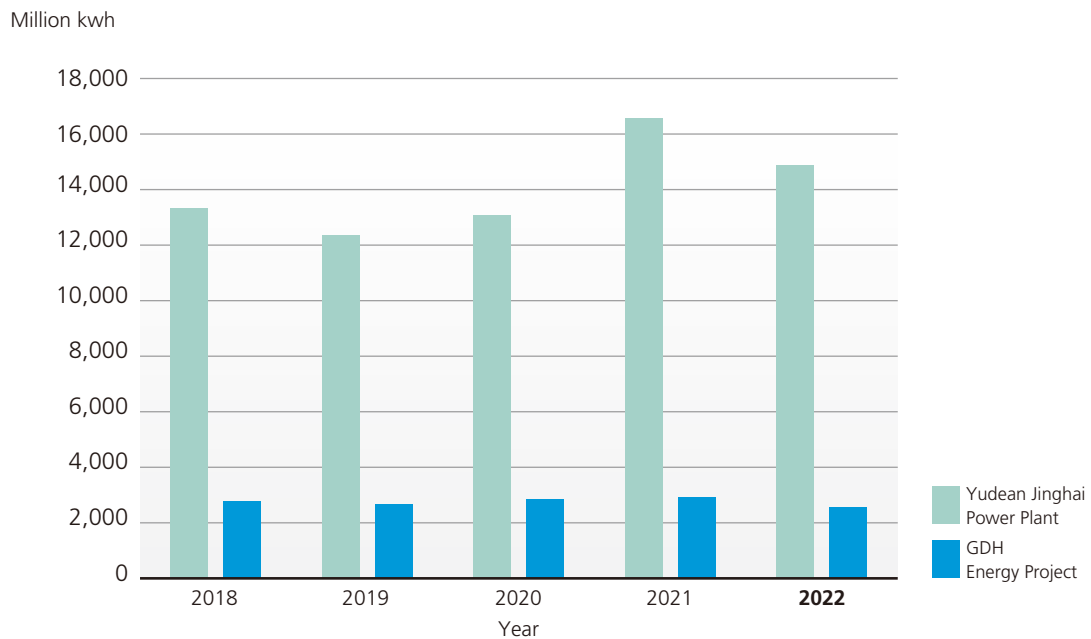


Hotel Operation and Management – Annual Revenue

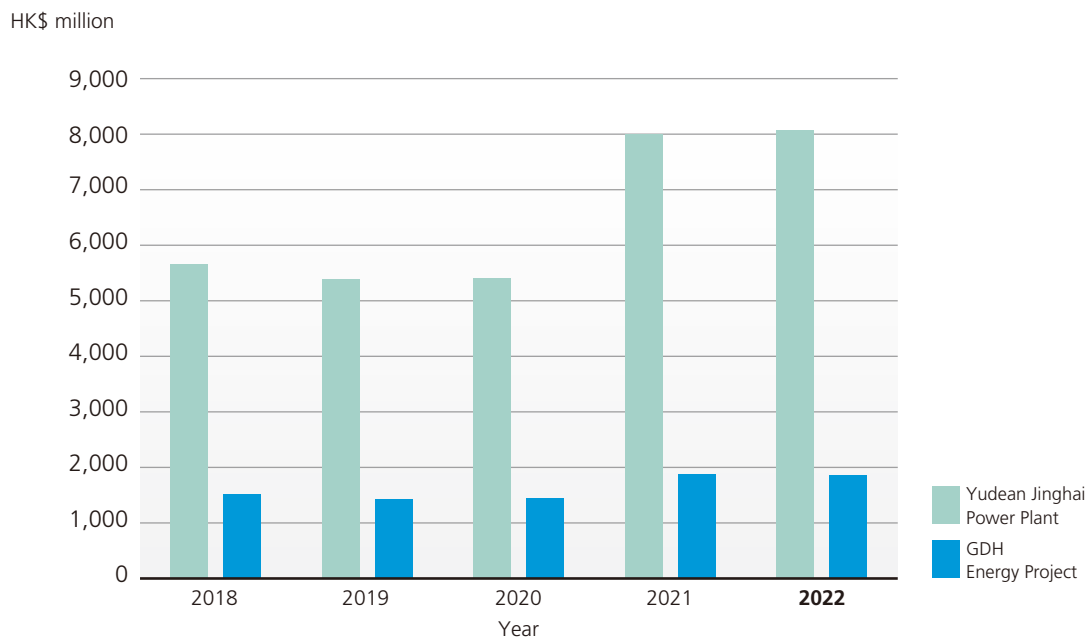


Financial Highlights

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 2022. The Group's consolidated profit attributable to owners of the Company for 2022 amounted to HK\$4,764 million (2021: HK\$4,697 million), increased by 1.4% over 2021. Basic earnings per share increased by 1.4% over the last year to HK 72.86 cents (2021: HK 71.84 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 42.62 cents per share for 2022. Aggregating such dividend with the interim dividend of HK 18.71 cents per share paid in 2022, the total dividend for the entire year will be HK 61.33 cents (2021: HK 60.71 cents) per share. The said 2022 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on or about 27 July 2023.

Review

In 2022, the global economic growth trend gradually reversed and entered a stage of volatile downturn once again, which was mainly due to multiple factors such as the resurgence of the pandemic, the outbreak of geopolitical conflicts, the persistence of supply chain bottlenecks, the increase in commodity prices, and the accelerated tightening of monetary policies of developed economies. Faced with the impact of unexpected domestic and foreign factors, the foundation for China's economic recovery was still unstable. Under the "triple pressures" of continuous shrinking demand, supply shocks and weakening expectations, the turbulent external environment deepened the impact on the Chinese economy. Nevertheless, the Chinese government managed to maintain economic and social stability by coordinating pandemic prevention and control with social and economic development as well as strengthening macro-control efforts. Faced with an increasingly complex and changing external environment, the Group adhered to the development strategy of "balancing progress and stability and enhancing quality and efficiency". On the one hand, the Group continued to strengthen operational efficiency of its core operations while further optimizing its corporate

Chairman's Statement

governance and risk management mechanisms. On the other hand, the Group actively seized market opportunities and intensified efforts to scale up its core operations, thus strengthening the foundation for the sustainable development of the Company.

Among the Group's business segments, water resources segment continued to expand its capacity and enrich its project operation model by expanding its footprint to the recycled water business market, and increasing its overall contribution to the Group's performance. The property investment and development segment optimized its asset portfolio, innovated business models, and steadily promoted property sales. Hotel operation and management segment actively adjusted its business strategies to overcome external environmental resistance to minimize losses. The department store retail segment continued the integration of online and offline operations, proactively attracting customer traffic and increasing its revenue, resulting in an overall increase in operating revenue compared to that in the previous year. The power segment actively overcame the pressure of soaring coal prices which leads to significant increase in operating costs; its operating efficiency has improved as compared to last year with the loss having been narrowed significantly. The road and bridge segment continued to be impacted by the pandemic as its traffic flow and operating performance were yet to recover, and will keep monitoring the impact of changes in national highway policies. Meanwhile, the Group closely monitored foreign exchange risks and utilized various strategies to minimize the Group's currency risk exposure.

Climate change is a global challenge nowadays. In response to China's strategic goals of "Peaking Carbon Dioxide Emissions" and "Achieving Carbon Neutrality", the Group strengthens climate change management, energy conservation and emissions reduction in its business operating cycle, ensuring the Group is resilient to climate change.

Prospects

Looking ahead into 2023, the global economic recovery is far from optimistic. The impact of high inflation and rising interest rates continued to exist. The supply of bulk commodities was restricted. The financial space of various countries was limited. As a result, the risks of "stagflation" will increase and the external environment will be more complex and severe. With the better coordination of pandemic prevention and control with economic and social

development by the Chinese government, it is expected that the domestic economy and society will gradually get back on track in 2023, however it will take time to boost market confidence in the post-pandemic era. Under the general trend of economic recovery, facing the uncertainties of customer traffic, logistics, business operations, capital markets, interest rate and exchange rate markets, the Group will adhere to the development strategy of "balancing progress and stability and enhancing quality and efficiency", maintain stable growth of its core operations and strengthen its risk management capabilities to create long-term value for its stakeholders.

The Group will continue its investments in water resources management, property investment and development as well as infrastructure segments, expanding its core business segments while optimizing its asset portfolio and resource allocation. In accordance with its existing business and resources, the Group endeavors to proactively seek potential opportunities arising from a series of major strategic opportunities, such as the task of China-style Modernization, the strategic goals of "Peaking Carbon Dioxide Emissions" and "Achieving Carbon Neutrality", the strategic planning of the development of the "Guangdong-Hong Kong-Macao Greater Bay Area", and Hong Kong's entry into a new stage of "from governance to prosperity" which have been comprehensively explained in the report of 20th National People's Congress, and continue to monitor potential industry consolidation, public-private-partnership projects as well as core business industry chain extension market acquisition opportunities to promote profit growth so as to provide support to the high-quality development of Company in the long run, and ultimately further enhance the Company's financial performance and create long-term value.

Last but not the least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders for their support as well as our dedicated and hardworking management team and employees who strived for excellence during the year.

HOU Wailin
Chairman

Hong Kong, 30 March 2023



Management Discussion and Analysis

Financial Overview

The consolidated revenue of the Group for 2022 was HK\$23,196 million (2021: HK\$29,715 million), a decrease of 21.9% as compared with that of 2021. The decrease in revenue was mainly attributable to a drop of revenue in property investment and development business during the year.

The consolidated profit before tax for 2022 decreased by 14.3% or HK\$1,213 million to HK\$7,244 million (2021: HK\$8,457 million), of which, the profit before tax of water resources business maintained steady growth, which partially offset the impact of the decrease in property investment and development business. The net gain arising from fair value adjustments for investment properties was HK\$937 million (2021: HK\$641 million) and the net exchange gain amounted to HK\$48 million (2021: net exchange loss of HK\$85 million) for the year. Net finance costs of the Group for the year was HK\$684 million (2021: HK\$303 million). The consolidated profit attributable to owners of the Company for 2022 increased by 1.4% or HK\$67 million to HK\$4,764 million (2021: HK\$4,697 million).

Basic earnings per share was HK 72.86 cents (2021: HK 71.84 cents), increased by 1.4% as compared with that in 2021.

Business Review

A summary of the performance of the Group's major businesses during 2022 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 2022, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (2021: 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 volume of water supply to Hong Kong, Shenzhen and Dongguan during the year amounted to 2.249 billion tons (2021: 2.355 billion tons), a decrease of 4.5%, which generated a revenue of HK\$6,456 million (2021: HK\$6,468 million), a decrease of 0.2% over 2021.

The Hong Kong Water Supply Agreement for 2021 to 2023 (the "Water Supply Agreement") between the Government of the Hong Kong Special Administrative Region and the Guangdong Provincial Government was signed on 28 December 2020. Pursuant to the Water Supply Agreement, the annual basic water prices for the three years of 2021, 2022 and 2023 are HK\$4,885.53 million, HK\$4,950.51 million and HK\$5,016.35 million, respectively. The actual water price for 2021 was frozen at the 2020 level (i.e. HK\$4,821.41 million), which is a special arrangement of the Guangdong Provincial Government in consideration of the impact of the pandemic in Hong Kong.

According to the water price deduction mechanism adopted and applicable for the years from 2021 to 2029, the annual basic water price shall be deducted based on the quantity of water supplied to Hong Kong which is conserved (i.e. the difference between the annual supply ceiling of 820 million tons and the actual quantity of water imported, with a minimum annual water supply quantity of 615 million tons from 2021 to 2023) in a particular year using a unit rate. The unit rates for each cubic metre of water supplied to Hong Kong which is conserved for the three years of 2021, 2022 and 2023 are HK\$0.300, HK\$0.304 and HK\$0.308, respectively.

The revenue from water sales to Hong Kong for the year was HK\$4,947 million (2021: HK\$4,821 million). The revenue from water sales to Shenzhen and Dongguan areas for the year decreased by 8.4% to HK\$1,509 million (2021: HK\$1,647 million). The profit before tax, excluding gains on disposal of assets, net exchange differences and net finance costs, of the Dongshen Water Supply Project for the year was HK\$3,952 million (2021: HK\$3,785 million), 4.4% more than that in 2021.



Management Discussion and Analysis

Business Review *(continued)*

Water Resources *(continued)*

Other Water Resources Projects

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

During the year, the Group entered into equity transfer agreements for the acquisition of eight companies with 廣東粵海控股集團有限公司 (Guangdong Holdings Ltd.) ("Guangdong Holdings"), the ultimate holding company of the Company, and 廣東粵海水務股份有限公司 (Guangdong Yuehai Water Co., Ltd.), a wholly-owned subsidiary of Guangdong Holdings, at a total cash consideration of RMB795,293,000 (equivalent to approximately HK\$890,331,000). Further details of the transaction are set out in the Company's announcement dated 22 November 2022. Other than the above investment, the Group successfully acquired/contracted for four new water resources projects which are located in Heyuan City, Jiexi County and Shanwei City of Guangdong Province, as well as Wuxi City of Jiangsu Province, the PRC, respectively. In addition, the Group had two new water plant expansion projects in Yunfu City and Nansha District, Guangzhou City of Guangdong Province, the PRC, respectively. The total designed water supply capacity and waste water processing capacity are 2,160,000 tons per day and 710,700 tons per day, respectively. The expected total investment amount of these projects is approximately RMB3,652 million (equivalent to approximately HK\$4,088 million).

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 as at 31 December 2022 are 15,893,200 tons per day (2021: 13,783,200 tons per day) and 3,342,900 tons per day (2021: 2,635,200 tons per day), respectively.

Capacity of Water Resources Projects in Operation

The water supply capacity of the water supply plants and the waste water processing capacity of the sewage treatment plants operated by each of the subsidiaries and associates of the Group are as follows:

Name of subsidiaries of the Group	Water supply capacity (tons per day)	Waste water processing capacity (tons per day)
東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd.▲)	290,000	—
梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲)	310,000	250,000
Yizheng Yuehai Water Supply Co., Ltd.	150,000	—
Gaoyou GDH Water Co., Ltd.	150,000	—
Baoying GDH Water Co., Ltd.	130,000	—
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd.▲)	100,000	—
梧州粵海江河水務有限公司 (Wuzhou Guangdong Jianghe Water Co., Ltd.▲)	310,000	—
Zhaoqing HZ GDH Water Co., Ltd.	130,000	—
遂溪粵海水務有限公司 (Suixi Guangdong Water Co., Ltd.▲)	70,000	—
海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Co., Ltd.▲)	100,000	20,000
豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.▲)	123,500	—
盱眙粵海水務有限公司 (Xuyi Guangdong Water Co., Ltd.▲)	150,000	—
Wuzhou GDH Environmental Protection Development Co., Ltd.	—	140,000
東莞市常平粵海環保有限公司 (Dongguan Changping Guangdong Huanbao Co., Ltd.▲)	—	70,000
開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd.▲)	—	50,000
五華粵海環保有限公司 (Wuhua Guangdong Huanbao Co., Ltd.▲)	—	66,000

Management Discussion and Analysis

Business Review (continued)

Water Resources (continued)

Other Water Resources Projects (continued)

Capacity of Water Resources Projects in Operation (continued)

Name of subsidiaries of the Group (continued)	Water supply capacity (tons per day)	Waste water processing capacity (tons per day)
東莞市道滘粵海環保有限公司 (Dongguan Daojiao Guangdong Huanbao Co., Ltd.▲)	—	40,000
開平粵海污水處理有限公司 (Kaiping Guangdong Sewage Treatment Co., Ltd.▲)	—	25,000
汕尾粵海環保有限公司 (Shanwei Guangdong Huanbao Co., Ltd.▲)	—	30,000
高州粵海水務有限公司 (Gaozhou Guangdong Water Co., Ltd.▲)	100,000	—
江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Holdings Co., Ltd.▲) and its subsidiaries	781,500	81,000
六盤水粵海環保有限公司 (Liupanshui Guangdong Huanbao Co., Ltd.▲)	—	115,000
昆明粵海水務有限公司 (Kunming Guangdong Water Co., Ltd.▲)	24,000	20,000
雲浮粵海水務有限公司 (Yunfu Guangdong Water Co., Ltd.▲)	50,000	—
大埔粵海環保有限公司 (Dapu Guangdong Huanbao Co., Ltd.▲)	—	21,900
韶關粵海綠源環保有限公司 (Shaoguan Guangdong Luyuan Huanbao Co., Ltd.▲)	—	28,500
陽山粵海環保有限公司 (Yangshan Guangdong Huanbao Co., Ltd.▲)	—	11,300
雲浮市粵海水務自來水有限公司 (Yunfu City Guangdong Water Supply Co., Ltd.▲) (formerly known as 雲浮市自來水有限公司 (Yunfu City Water Supply Co., Ltd.▲))	100,000	—
雲浮市粵海環保有限公司 (Yunfu City Guangdong Huanbao Co., Ltd.▲) (name subsequently changed to 雲浮市粵海水務發展有限公司 (Yunfu City Guangdong Water Development Co., Ltd.▲))	—	145,000
陽江粵海環保有限公司 (Yangjiang Guangdong Huanbao Co., Ltd.▲)	—	20,000
揭陽粵海水務有限公司 (Jieyang Guangdong Water Co., Ltd.▲)	560,000	—
普寧粵海水務有限公司 (Puning Guangdong Water Co., Ltd.▲)	500,000	—
潮州市粵海環保有限公司 (Chaozhou Guangdong Huanbao Co., Ltd.▲)	—	20,000
廣東粵海韶投水務有限責任公司 (Guangdong Shaotou Water Co., Ltd.▲)	674,000	—
吳川粵海環保有限公司 (Wuchuan Guangdong Huanbao Co., Ltd.▲)	—	25,000
平遠粵海水務有限公司 (Pingyuan Guangdong Water Co., Ltd.▲)	40,000	—
河北粵海水務集團有限公司 (Hebei Guangdong Water Group Co., Ltd.▲) and its subsidiaries	10,000	453,000
邳州粵海水務有限公司 (Pizhou Guangdong Water Co., Ltd.▲)	250,000	—
惠來粵海清源環保有限公司 (Huilai Guangdong Qingyuan Huanbao Co., Ltd.▲)	—	8,500
惠來粵海綠源環保有限公司 (Huilai Guangdong Luyuan Huanbao Co., Ltd.▲)	—	20,000
信宜粵海水務有限公司 (Xinyi Guangdong Water Co., Ltd.▲)	134,200	—
揭西粵海水務有限公司 (Jiexi Guangdong Water Co., Ltd.▲)	70,000	—
五華粵海碧源環保有限公司 (Wuhua Guangdong Biyuan Huanbao Co., Ltd.▲)	—	40,000
雲浮市雲安粵海城鄉供水有限公司 (Yunfu City Yunan Guangdong Urban and Rural Water Supply Co., Ltd.▲)	24,600	—
河源市粵海水務有限公司 (Heyuan City Guangdong Water Co., Ltd.▲)	100,000	—
無錫德寶水務投資有限公司 (Wuxi Debao Water Investment Co., Ltd.▲)	—	225,700
Total as at 31 December 2022	5,431,800	1,925,900
Total as at 31 December 2021	4,927,200	1,573,200



Management Discussion and Analysis

Business Review *(continued)*

Water Resources *(continued)*

Other Water Resources Projects (continued)

Capacity of Water Resources Projects in Operation *(continued)*

Name of associates of the Group	Water supply capacity (tons per day)
Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd	600,000
Guangzhou Nansha GDH Water Co., Ltd.	550,000
汕頭市粵海水務有限公司 (Shantou Guangdong Water Co., Ltd.▲)	920,000
興化粵海水務有限公司 (Xinghua Guangdong Water Co., Ltd.▲)	430,000
Total as at 31 December 2022	2,500,000
Total as at 31 December 2021	2,380,000

Capacity of Water Resources Projects under Construction

The water supply capacity of the water supply plants and the waste water processing capacity of the sewage treatment plants under construction by each of the subsidiaries of the Group as at 31 December 2022 are as follows:

Name of subsidiaries of the Group	Water supply capacity (tons per day)	Waste water processing capacity (tons per day)
恩施粵海水務有限公司 (Enshi Guangdong Water Co., Ltd.▲)	400,000	—
湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd.▲)	1,060,000	—
荔浦粵海水務有限公司 (Lipu Guangdong Water Co., Ltd.▲)	80,000	—
汕尾粵海清源環保有限公司 (Shanwei Guangdong Qingyuan Huanbao Co., Ltd.▲)	—	200,000
湘陰粵海水務有限公司 (Xiangyin Guangdong Water Co., Ltd.▲)	200,000	—
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd.▲)	—	3,500
揭陽粵海國業水務有限公司 (Jieyang Guangdong Guoye Water Co., Ltd.▲) (formerly known as 揭陽粵海四航國業水務有限公司 (Jieyang Guangdong Sihang Guoye Water Co., Ltd.▲))	220,000	—
邳州粵海環保有限公司 (Pizhou Guangdong Huanbao Co., Ltd.▲)	—	35,000
河北粵海水務集團有限公司 (Hebei Guangdong Water Group Co., Ltd.▲) and its subsidiaries	—	15,000
信宜粵海水務有限公司 (Xinyi Guangdong Water Co., Ltd.▲)	100,000	—
開平粵海淨水有限公司 (Kaiping Guangdong Water Purification Co., Ltd.▲)	—	25,000
汕尾粵海供水有限公司 (Shanwei Guangdong Water Supply Co., Ltd.▲)	410,000	—
河源市粵海水務有限公司 (Heyuan City Guangdong Water Co., Ltd.▲)	200,000	—
Total	2,670,000	278,500

Management Discussion and Analysis

Business Review *(continued)*

Water Resources *(continued)*

Other Water Resources Projects (continued)

Revenue of Other Water Resources Projects for the year in aggregate decreased by 7.5% to HK\$10,522,070,000 (2021: HK\$11,369,997,000), of which income from construction services amounted to HK\$4,712,693,000 (2021: HK\$6,790,344,000). The decrease was mainly due to the decrease of construction services. Profit before tax of Other Water Resources Projects for the year, excluding the net exchange differences and net finance costs, amounted to HK\$1,834,379,000 (2021: HK\$1,332,977,000) in aggregate, 37.6% higher than that in 2021.

Property Investment and Development

Mainland China

GDH Teem

As at 31 December 2022, the Group held an effective interest of 76.13% in 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited▲) (“Guangdong Teem”) and its subsidiaries, and held an effective interest of 76.02% in Tianjin Yuehai Teem Shopping Center Co., Ltd. (collectively the “GDH Teem”). GDH Teem operates several shopping malls in the PRC which included GDH Teem Plaza, Panyu GDH Plaza, Guangzhou Comic City, Shenzhen Teemall and Tianjin Yuehai Teem Shopping Mall.

During the year, Guangdong Teem as the purchaser entered into an equity transfer agreement with Guangdong Holdings and 廣州粵海仰忠匯置業有限公司 (Guangzhou Yuehai Yangzhonghui Land Co., Ltd.▲), a direct wholly-owned subsidiary of Guangdong Holdings, to purchase 85% equity interest in 廣州粵海動漫星城有限公司 (Guangzhou Yuehai Comic City Co., Ltd.▲) (“Yuehai Comic City”), for an aggregate adjusted consideration of approximately RMB764,360,000 (equivalent to approximately HK\$900,646,000). Yuehai Comic City is the property owner of Guangzhou Comic City, and is responsible for operating and managing Guangzhou Comic City.

During the year, 深圳粵海天河城購物中心有限公司 (Shenzhen GDH Teem Shopping Center Co., Ltd▲) (“Shenzhen GDH Teem”), a direct wholly-owned subsidiary of GDH Teem, is responsible for operating a shopping mall located at Northern Land and Southern Land of GDH City, known as Shenzhen Teemall. The shopping mall is wholly-owned by Guangdong Land Holdings Limited (“GD Land”), a direct subsidiary of the Company. Northern Land of Shenzhen Teemall was opened on 24 December 2022 while the Southern Land of Shenzhen Teemall was under construction. Shenzhen Teemall has a total gross floor area (“GFA”) of approximately 186,000 sq.m. (including car-parking spaces), of which the commercial area for lease in operation is approximately 58,700 sq.m while the expected commercial area of Southern Land of Shenzhen Teemall for lease is approximately 43,300 sq.m.. As at 31 December 2022, Shenzhen Teemall had an occupancy rate of 85.2%. As at 31 December 2022, the cumulative land and development cost incurred by GD Land for Shenzhen Teemall amounted to approximately HK\$4,205 million.

Revenue of GDH Teem’s property investment and development business mainly comprises rental income (including rentals from the department stores operated by the Group) from properties held and income from sale of properties. The revenue and profit before tax (excluding net interest income) of GDH Teem’s property development business (sales of properties by Panyu GDH Plaza) in year 2021 was HK\$352,367,000 and HK\$156,125,000 respectively. There were no sales of properties for the year. The revenue of GDH Teem’s property investment business for the year decreased by 1.8% to HK\$1,504,513,000 (2021: HK\$1,532,734,000). The profit before tax, excluding changes in fair value of investment properties, net interest income and other operating income, of GDH Teem’s property investment business for the year decreased by 14.3% to HK\$845,682,000 (2021: HK\$987,362,000).



Management Discussion and Analysis

Business Review *(continued)*

Property Investment and Development *(continued)*

Mainland China *(continued)*

GDH Teem *(continued)*

The revenue of the GDH Teem's property investment business for the year ended 31 December 2022 was as follows:

	Area for lease <i>sq.m.</i>	Average occupancy rate <i>%</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	Changes <i>%</i>
Teem Plaza — Teemall	106,000	99.4	774,466	806,100	-3.9
Teem Plaza — Teem Tower	88,000	93.1	207,819	226,665	-8.3
Panyu GDH Plaza — Panyu Teemall	144,000	94.3	255,642	263,768	-3.1
Tianjin Yuehai Teem Shopping Mall	145,000	93.4	230,254	236,201	-2.5
Guangzhou Comic City (acquired in June 2022)	23,000	88.3	32,082	—	+100.0
Shenzhen Teemall (opened in December 2022)	58,700	85.2	4,250	—	+100.0
	564,700		1,504,513	1,532,734	-1.8

GD Land

The Company's effective interest in GD Land is approximately 73.82%.

Details of the completed properties held for sale, properties held for sale under development and investment properties under development of GD Land are listed below:

General Information of the Projects

Name of the property project	Status	Use	Interest held by the Group	Approximate GFA of project <i>(sq. m.)</i>	Approximate GFA included in calculation of plot ratio* <i>(sq. m.)</i>	Expected completion and filing date
Shenzhen City						
Northwestern Land of Shenzhen GDH City	Completed	Business apartment/ Commercial	100%	167,008	122,083	N/A
Northern Land of Shenzhen GDH City	Completed	Commercial/Offices	100%	218,854	153,126	N/A
Southern Land of Shenzhen GDH City	Under development	Offices/Mall	100%	255,308	199,500	2023
Guangzhou City						
Guangzhou Yungang City	In sale	Residential/Commercial	100%	730,000	506,000	2025
Guangzhou Laurel House	Completed	Car-parking spaces	100%	N/A	N/A	N/A
Ruyingju	Completed	Car-parking spaces	80%	N/A	N/A	N/A

Management Discussion and Analysis

Business Review *(continued)*

Property Investment and Development *(continued)*

Mainland China *(continued)*

GD Land *(continued)*

General Information of the Projects *(continued)*

Name of the property project	Status	Use	Interest held by the Group	Approximate GFA of project <i>(sq. m.)</i>	Approximate GFA included in calculation of plot ratio* <i>(sq. m.)</i>	Expected completion and filing date
Foshan City						
Foshan Laurel House	In sale	Residential/Commercial	100%	200,385	151,493	2023
Foshan Jihua <i>(note)</i>	Under development	Residential/Commercial/ Offices	51%	150,382	118,122	2026
Zhuhai City						
Zhuhai Jinwan	In sale	Residential/Commercial	100%	249,918	166,692	2024
Zhongshan City						
Zhongshan GDH City	In sale	Residential	97.64%	321,456	247,028	2025
Jiangmen City						
Chenyuan Road	Completed	Residential/Commercial service	100%	222,684	164,216	N/A
Chenyuan Road	Completed	Car-parking spaces	100%	N/A	N/A	N/A
Jiangmen Ganhua (Land No. 3)	Completed	Residential	51%	163,511	122,331	N/A
Jiangmen Ganhua (Land No. 4)	In sale	Residential	51%	299,623	207,419	2023
Jiangmen Ganhua (Land No. 5)	Under development	Residential	51%	89,201	63,150	2026
Huizhou City						
Huizhou Dayawan	In sale	Residential/Commercial	100%	140,163	92,094	2024

The asterisk (*) denotes that the approximate GFA includes (1) underground commercial area of the Shenzhen GDH City Project with a GFA of 30,000 sq.m.; and (2) common area and area transfer to the government of each project.

Note: On 25 November 2022, GD Land succeeded in the bid for the land use rights of a land parcel located at Chancheng District of Foshan City, the PRC with consideration amounted to approximately RMB1,299 million (equivalent to approximately HK\$1,423 million).

Management Discussion and Analysis

Business Review (continued)

Property Investment and Development (continued)

Mainland China (continued)

GD Land (continued)

Sales of the Projects

Name of the property project	Approximate GFA available for sale (sq. m.)	Approximate GFA contracted		The proportion of accumulated GFA contracted to GFA available for sale	Approximate GFA delivered		The proportion of accumulated GFA delivered to GFA available for sale
		Year under review (sq. m.)	Accumulated (sq. m.)		Year under review (sq. m.)	Accumulated (sq. m.)	
Shenzhen City							
Northwestern Land of Shenzhen GDH City	114,986	1,225	100,678	87.6%	6,932	100,628	87.5%
Northern Land of Shenzhen GDH City	84,246	—	—	0.0%	—	—	0.0%
Southern Land of Shenzhen GDH City	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Guangzhou City							
Guangzhou Yungang City	506,000	26,339	26,339	5.2%	—	—	N/A
Guangzhou Laurel House	2,764	447	2,644	95.7%	865	2,644	95.7%
Ruyingju	8,052	605	6,502	80.8%	605	6,502	80.8%
Foshan City							
Foshan Laurel House	151,493	36,504	39,805	26.3%	—	—	N/A
Foshan Jihua	118,122	N/A	N/A	N/A	N/A	N/A	N/A
Zhuhai City							
Zhuhai Jinwan	138,429	21,418	34,363	24.8%	—	—	N/A
Zhongshan City							
Zhongshan GDH City	247,028	12,238	29,615	12.0%	—	—	N/A
Jiangmen City							
Chenyuan Road	158,407	41,030	71,634	45.2%	53,281	53,281	33.6%
Chenyuan Road (Car-parking spaces)	41,834	N/A	N/A	N/A	N/A	N/A	N/A
Jiangmen Ganhua (Land No. 3)	119,334	26,124	49,826	41.8%	13,962	13,962	11.7%
Jiangmen Ganhua (Land No. 4)	205,078	1,800	4,017	2.0%	—	—	N/A
Jiangmen Ganhua (Land No. 5)	62,254	N/A	N/A	N/A	N/A	N/A	N/A
Huizhou City							
Huizhou Dayawan	89,240	1,540	1,540	1.7%	—	—	N/A

Management Discussion and Analysis

Business Review *(continued)*

Property Investment and Development *(continued)*

Mainland China (continued)

GD Land *(continued)*

During the year, GD Land's properties recorded total contracted GFA (including completed properties held for sale and properties held for sale under development) and delivered GFA of approximately 169,000 sq.m. (2021: 157,000 sq.m.) and 76,000 sq.m. (2021: 86,000 sq.m.), respectively. Revenue of GD Land for the year decreased by 77.1% to HK\$1,377,691,000 (2021: HK\$6,006,392,000), of which income from sales of properties amounted to HK\$1,351,831,000 (2021: HK\$5,986,116,000). The net gain arising from fair value adjustments for investment properties and gain on disposal of an investment property was HK\$762,820,000 (2021: HK\$405,582,000) and HK\$102,519,000 (2021: Nil), respectively, causing a decrease in loss before tax by HK\$459,757,000 for the year. The loss before tax of GD Land for the year, excluding changes in fair value of investment properties, gain on disposal of an investment property and net finance costs, was HK\$85,907,000 (2021: profit before tax of HK\$1,914,932,000).

Hong Kong

Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the year was 95.8% (2021: 92.5%). The total revenue for the year decreased by 5.9% to HK\$48,500,000 (2021: HK\$51,527,000).

Department Store Operation

As at 31 December 2022, the Group operated six stores with a total leased area of approximately 222,300 sq.m. (2021: approximately 123,900 sq.m.). The total revenue for the year increased by 25.5% to HK\$798,860,000 (2021: HK\$636,688,000). The profit before tax, excluding changes in fair value of investment properties, for the year increased by 28.4% to HK\$136,329,000 (2021: HK\$106,137,000), which includes a gain arising from the shortening of lease period of a store (including the write-back of corresponding lease liabilities) amounting to approximately HK\$78,553,000 (2021: Nil).

The revenue of the stores operated by the Group for the year ended 31 December 2022 was as follows:

	Leased area <i>sq.m.</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	Changes <i>%</i>
Teemall Store	42,000	597,916	407,925	+46.6
Wan Bo Store	20,100	52,229	66,027	-20.9
Ming Sheng Store	11,900	17,801	24,889	-28.5
Dong Pu Store	28,300	75,211	92,220	-18.4
Ao Ti Store	21,500	42,596	45,241	-5.8
Nanhai Store (closed in October 2021)	—	—	386	-100.0
Hua Du Store (opened in January 2022)	98,500	13,107	—	+100.0
	222,300	798,860	636,688	+25.5

Management Discussion and Analysis

Business Review *(continued)*

Hotel Ownership, Operation and Management

As at 31 December 2022, the Group's hotel management team managed a total of 24 hotels (2021: 27 hotels), of which three were located in Hong Kong and twenty-one in Mainland China. As at 31 December 2022, 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 another hotel management group. The construction of the Holiday Inn Zhuhai City Center which is situated in Zhuhai and was originally used as staff dormitory, was completed during the year and opened in November 2022.

During the year, the average room rate of Sheraton Guangzhou Hotel was HK\$857 (2021: HK\$904) whereas the average room rate of the remaining four star-rated hotels and the newly opened hotel was HK\$452 (2021: HK\$380). The average occupancy rate of Sheraton Guangzhou Hotel was 69.6% (2021: 74.8%) and that of the other four star-rated hotels and the newly opened hotel was 59.1% (2021: 57.6%) during the year.

The revenue of hotel ownership, operation and management business for the year decreased by 2.9% to HK\$386,660,000 (2021: HK\$398,033,000). The loss before tax for the year, excluding changes in fair value of investment properties and net exchange differences, amounted to HK\$52,798,000 (2021: HK\$48,394,000).

Energy Projects

GDH Energy Project

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% interest in 中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.▲) ("GDH Energy"). GDH Energy has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the year amounted to 2,604 million kwh (2021: 2,969 million kwh), decreased by 12.3%. Due to the mixed impact of decrease in sales of electricity and increase in electricity tariff, revenue of GDH Energy project (including intersegment sales) generated from electricity sales and related operations for the year decreased by 0.4% to HK\$1,890,633,000 (2021: HK\$1,897,278,000). The loss before tax of GDH Energy for the year, excluding net finance costs, was HK\$93,614,000 (2021: HK\$176,670,000), representing a decrease of 47.0% as compared to that of the previous year.

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 2022, 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 15,054 million kwh (2021: 16,742 million kwh), a decrease of 10.1%. Due to the increase in electricity tariff, revenue for the year increased by 1.8% to HK\$8,166,239,000 (2021: HK\$8,018,941,000). As a result of the fluctuation in coal price, Yudean Jinghai Power recorded a loss before tax of HK\$561,191,000 (2021: HK\$848,630,000) for the year. The Group's share of loss in Yudean Jinghai Power amounted to HK\$105,694,000 (2021: HK\$159,581,000) during the year, representing a decrease of 33.8% as compared to that of the previous year.

Road and Bridge

Xingliu Expressway

廣西粵海高速公路有限公司 (Guangxi GDH Highway Co., Ltd.▲) ("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.



Management Discussion and Analysis

Business Review (continued)

Road and Bridge (continued)

Xingliu Expressway (continued)

The average daily toll traffic flow of the Xingliu Expressway increased by 1.5% to 23,060 vehicle trips (2021: 22,710 vehicle trips). The revenue of GDH Highway during the year amounted to HK\$647,855,000 (2021: HK\$1,369,534,000), decreased by 52.7%, which was due to the absence of revenue generated from construction services (2021: HK\$710,453,000) arising from the highway enhancement project during the year. Profit before tax during the year, excluding net finance costs, amounted to HK\$357,003,000 (2021: HK\$377,086,000), decreased by 5.3%.

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 Province, the PRC. Each Project Road will be budgeted for and developed separately and subject to the approval of the Xiegang Government. The Company had established 東莞粵海銀瓶開發建設有限公司 (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\$5.322 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 "Interest in the Development Period") 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 outstanding Development Costs, the Interest in the Development Period and the Management Fee are calculated on an accrued interest at 8% per annum on a reducing balance basis over the Maintenance Period (the "Interest in the Maintenance Period").

As at 31 December 2022, four Project Roads (2021: four Project Roads) were completed and one Project Road (2021: one Project Road) was under construction. As at 31 December 2022, the cumulative Development Costs in relation to the Yinping PPP Project amounted to approximately RMB1,881 million (equivalent to approximately HK\$2,105 million) (2021: approximately RMB1,724 million (equivalent to approximately HK\$2,109 million)).

The total Interest in the Development Period, Management Fee, maintenance fee and Interest in the Maintenance Period of Yuehai Yinping recognised during the year decreased by 18.4% to HK\$128,573,000 (2021: HK\$157,653,000) and profit before tax, excluding other operating income, decreased by 21.0% to HK\$110,935,000 (2021: HK\$140,418,000) during the year, which was mainly due to the decrease in the Interest in the Development Period and Management Fee recognised during the year as two Project Roads completed last year were still in the acceptance stage.



Management Discussion and Analysis

Liquidity, Gearing and Financial Resources

As at 31 December 2022, cash and bank balances of the Group decreased by HK\$657 million to HK\$8,938 million (2021: HK\$9,595 million), of which 92.35% was denominated in Renminbi, 7.64% in Hong Kong dollars and 0.01% in United States dollars.

As at 31 December 2022, the Group's financial borrowings increased by HK\$11,876 million to HK\$40,736 million (2021: HK\$28,860 million), of which 20.8% was denominated in Hong Kong dollars, 79.2% in Renminbi, including loans from the ultimate holding company and fellow subsidiaries of HK\$12,954 million (2021: HK\$4,135 million) and the non-interest-bearing advance of Nil (2021: HK\$118 million). Of the Group's total financial borrowings, HK\$10,045 million was repayable within one year while the remaining balances of HK\$21,566 million and HK\$9,125 million are 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 consists of 79.5% floating rate borrowings, 20.3% fixed rate borrowings and 0.2% non-interest bearing borrowings as at 31 December 2022.

The Group maintained a credit facility of HK\$17,270 million as at 31 December 2022 (2021: HK\$15,324 million).

As at 31 December 2022, the Group's gearing ratio (i.e. net financial indebtedness/net asset value (excluded non-controlling interests)) was 78.4% (2021: 48.9%). The Group was in a healthy debt servicing position with the EBITDA/finance cost incurred as at 31 December 2022 being 6.7 times (2021: 12.8 times).

Net cash outflows from operating activities for the year amounted to approximately HK\$1,399 million (2021: HK\$4,939 million), which was mainly due to completion of payment for the land parcels held by GD Land. GD Land recorded net cash outflows from operating activities for the year which amounted to approximately HK\$6,661 million (2021: HK\$9,643 million). The Group's other segments continue to remain sound with consistent positive net operating cash inflows. 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 2022, except for (i) certain property assets (including operating income receivables of certain investment properties) of HK\$26,353 million (2021: HK\$11,506 million); (ii) certain revenue entitlement under service concession arrangements of water distribution, sewage treatment and toll road operations as security for bank and other loans of HK\$10,625 million (2021: HK\$8,866 million); (iii) equity interest in certain subsidiaries of the Group with total costs of approximately HK\$4,659 million (2021: HK\$4,561 million), which were pledged to secure certain bank and other loans, none of the property, plant and equipment, concession rights for water distribution, sewage treatment and toll road operations (comprising operating concession rights and receivables under service concession agreements) were pledged to secure bank and other loans granted to the Group.

Except for the guarantees made to certain banks in relation to the mortgages of properties sold of approximately HK\$2,597 million (2021: approximately HK\$899 million) as disclosed in note 38 of this report, there was no other material contingent liability as at 31 December 2022 and 2021.

Capital Expenditure

The Group's capital expenditure during the year amounted to HK\$9,437 million which was principally related to the construction and asset acquisition cost for water supply and sewage treatment plants (including operating concession rights and receivables under service concession arrangements), development cost for investment property projects and acquisitions of subsidiaries.



Management Discussion and Analysis

Exposure to Fluctuations in Exchange and Interest Rates and Related Hedges

As at 31 December 2022, total Renminbi borrowings amounted to HK\$32,263 million (2021: HK\$21,482 million). Exchange rate risk may result from the fluctuation of RMB exchange rate. The Group did not use derivative financial instruments to hedge its foreign currency risk as there is a natural hedging mechanism. Meanwhile, the Group dynamically monitored the foreign exchange exposure and made necessary adjustments in accordance with the change in market environment.

As at 31 December 2022, the Group's total floating rate borrowings amounted to HK\$32,365 million (2021: HK\$28,560 million). Interest rate risk may result from the fluctuations in bank and other loan interest rate. The Group did not use interest rate hedging to manage its interest rate risk. The Group will continue to review the market trend as well as its business operation's needs, so as to arrange the most effective risk management tools.

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, the global economic outlook remains highly uncertain amid global inflations, geopolitical disputes and the pressure to cope with climate change. Domestically, the overall economic performance maintained a long-term stable and improving growth trend. However, due to the combined effects of the resurging novel coronavirus outbreak, 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 it operates in. In this regard, the Company seeks to explore new sources of revenue and reduce operating costs through product improvement, operating efficiency enhancement and strengthening of the project management team so as to enhance profitability of its projects.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 10,587 employees on record, of which 2,366 were at the managerial level. Among the employees, 10,399 were employed by subsidiaries in Mainland China and 188 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the year was approximately HK\$2,513,717,000 (2021: approximately HK\$2,294,138,000).

Upholding a corporate culture with "Commitment, Performance and Teamwork" at the core, the Group actively promoted its brand slogan of "Corporation Thrives on Solid Efforts" in 2022, with an aim to encourage its staff to be committed and aggressive and strive for excellence. With a firm belief that people are the most important assets of an organisation, the Group has made great efforts to recruit professionals and experts with international visions urgently needed for its business development, established the incentive and protection mechanism by strengthening the commitment of senior management and employees at all levels, improved the supporting system and performance evaluation system and promoted to form a correct orientation of "advancing the capable, rewarding the excellent, demoting the mediocre, and eliminating the inferior". Through cultivation of a committed workforce, optimisation of its operation and management and strengthening of its core competencies, the Group continuously enhances its competitiveness and market value.

The remuneration policy of the Group is designed to ensure that the remuneration is competitive and in line with the development objectives and business performance of the Group. The remuneration package includes fixed salary, discretionary bonus, insurance and fringe benefits. The remuneration standards are based on factors such as qualifications, experience, job responsibility and performance of individual employees and market conditions. Discretionary bonus is subject to the performance-based incentive policy.

In order to enhance its employees' compliance awareness as well as their capabilities and skills, the Group encourages them to attend training and refresher programmes in their spare time for self-improvement, and provides targeted professional training sessions as per its business development requirements and on an as-needed basis.



Directors' and Senior Management's Profile

Directors

Mr. HOU Wailin, aged 60, was appointed the Chairman and an Executive Director of the Company on 5 June 2019. Mr. Hou graduated from the 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. LIN Tiejun, aged 58, was appointed the Vice Chairman and an Executive Director of the Company on 28 March 2020. He graduated from the Faculty of Mechanical Engineering of the South China Institute of Technology (now known as South China University of Technology). He holds an Executive Master of Business Administration degree from Shanghai University of Finance and Economics. He is an engineer and an economist. Between 1988 and 2000, Mr. Lin worked for the Guangdong Province Dongshen Water Supply Project Management Bureau in a number of positions, including Deputy Director of the Personnel Division. He acted as the Deputy Director and then the Director of the Human Resources Department of Guangdong Yue Gang Water Supply Company Limited ("Yue Gang Water Supply") during the period from 2000 to 2003, as well as a director of Yue Gang Water Supply during the period from 2014 to 2019. Yue Gang Water Supply is a subsidiary of the Company. Mr. Lin joined GDH and Guangdong Holdings in 2004 and 2006, respectively and has served as the General Manager of the Human Resources Department, the Human Resources Director and the Assistant to General Manager of both Guangdong Holdings and GDH.

Mr. WEN Yinheng, aged 45, 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 certain subsidiaries of the Company.

Mr. TSANG Hon Nam, aged 53, was appointed an Executive Director and the Chief Financial Officer of the Company on 17 April 2008. He was re-designated as Executive Director and Deputy General Manager of the Company on 27 March 2021. 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 GDH 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.

Directors' and Senior Management's Profile

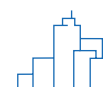
Directors (continued)

Ms. LIANG Yuanjuan, aged 47, was appointed an Executive Director and the Chief Financial Officer of the Company on 27 March 2021. Ms. Liang graduated from Guangdong University of Foreign Studies (major in Accounting) and obtained a Bachelor's degree in Economics. She also holds a Master's Degree in Practising Accounting from Monash University, Australia. Ms. Liang is an intermediate accountant and a member of CPA Australia. She has previously worked for 3M China Ltd. and Amway (China) Co., Limited. Ms. Liang was the Manager of the Finance Department of GDH from November 2009 to May 2014 and has served as the Senior Manager and then the Deputy General Manager of the Finance Department of Guangdong Holdings from May 2014 to January 2021. She is also a director of certain subsidiaries of the Company.

Mr. CAI Yong, aged 57, was appointed a Non-Executive Director of the Company on 25 August 2016. Mr. Cai holds a Master's degree in Business Administration from 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.

Mr. LAN Runing, aged 54, 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. Lan was appointed the Chairman and an Executive Director of GD Land in September 2021. He is also the Chairman of a subsidiary of GD Land.

Mr. FENG Qingchun, aged 46, was appointed a Non-Executive Director of the Company on 26 August 2020. Mr. Feng graduated from Hefei College of Economics and Technology, PRC (major in Accounting) and holds a Bachelor's degree in Economics. He also obtained a Master's degree in Accounting from Sun Yat-Sen University, PRC and is a senior accountant. He was a principal officer and then the deputy division director of Guangdong Regulatory Bureau of the Ministry of Finance, PRC. Mr. Feng was appointed the General Manager of the Finance Department of Guangdong Holdings and GDH on 2 March 2020 and was appointed Chief Financial Officer of Guangdong Holdings and GDH on 29 March 2022. Between October 2017 and June 2020, Mr. Feng was a director of 廣東鴻圖科技股份有限公司 Guangdong Hongtu Technology (Holdings) Co., Ltd., whose shares are listed on the Shenzhen Stock Exchange. He is also a director of 廣東粵海投資財務管理有限公司 (Guangdong Yuehai Investment Financial Management Limited[▲]), a subsidiary of the Company.



Directors' and Senior Management's Profile

Directors (continued)

Dr. CHAN Cho Chak, John, *GBS, JP*, aged 79, was appointed an Independent Non-Executive Director of the Company on 25 June 1998.

Dr. Chan is also the Deputy Chairman and an Independent Non-Executive Director of Transport International Holdings Limited (a public listed company 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 the Pro Chancellor of The Hong Kong University of Science and Technology and the Chairman and a Non-Executive Director of Hong Kong News-Expo Limited. He is also a Board Member and the First Vice-President of The Community Chest of Hong Kong and the Chairman 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 an Executive Director and the 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 November 1993 to December 2006, the Managing Director of Transport International Holdings Limited from September 1997 to April 2008, the Chairman of The Hong Kong Jockey Club from August 2006 to August 2010 and an Independent Non-Executive Director of Hang Seng Bank, Limited from August 1995 to May 2022.

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



Directors' and Senior Management's Profile

Directors (continued)

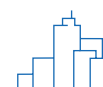
Mr. FUNG Daniel Richard, *SBS, QC, SC, JP*, aged 69, was appointed an Independent Non-Executive Director of the Company on 3 January 2000.

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 as Vice-Chairman and a director of the Financial Services Development Council and convenor of Policy Research Committee. 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, 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), Arbitrator of the Shanghai International Economic and Trade Arbitration Commission (2012-2018) and National Delegate to the Chinese People's Political Consultative Conference (2003-2023).

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.



Directors' and Senior Management's Profile

Directors (continued)

Dr. the Honourable CHENG Mo Chi, Moses, *GBM, GBS, OBE, JP*, aged 73, 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 senior consultant of Messrs. P.C. Woo & Co. after serving as its senior partner and consultant from 1994 to January 2023. He is a non-official member of the Executive Council of the Hong Kong Special Administrative Region. He is also the Founder Chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Dr. Cheng currently holds directorships in 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 Smart Energy Company Limited, all being public listed companies in Hong Kong. He was a member of the Legislative Council of Hong Kong and the Founder Chairman of the Insurance Authority. Dr. Cheng was previously a Non-Executive Director of Kader Holdings Company Limited and an Independent Non-executive Director of China Mobile Limited and China Resources Beer (Holdings) Company Limited, all of which are public listed companies in Hong Kong.

Mr. Li Man Bun, Brian David, *JP, MA (Cantab), MBA, FCA*, aged 48, was appointed an Independent Non-Executive Director of the Company on 27 March 2021. He holds an MBA degree from Stanford University and a BA degree from the University of Cambridge. Mr. Li is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He is also a Member of the Hong Kong Academy of Finance, an Honorary Certified Banker of The Hong Kong Institute of Bankers and a Full Member of the Treasury Markets Association.

Mr. Li joined The Bank of East Asia, Limited ("BEA") (a public listed company in Hong Kong) in 2002. He was the General Manager & Head of Wealth Management Division of BEA from July 2004 to March 2009. Mr. Li was subsequently appointed Deputy Chief Executive in April 2009, Executive Director in August 2014 and Co-Chief Executive in July 2019. He is responsible for the overall management and control of the BEA Group with a particular focus on its China and international businesses.

Mr. Li is an Independent Non-Executive Director of Towngas Smart Energy Company Limited, Shenzhen Investment Holdings Bay Area Development Company Limited, and China Overseas Land and Investment Limited. All of the above companies are public listed companies in Hong Kong.

Mr. Li currently holds a number of public and honorary positions, including being a Member of the National Committee of the Chinese People's Political Consultative Conference and Vice Chairman of its Committee on Social and Legal Affairs, a Member of the Chief Executive's Council of Advisers of the Government of the Hong Kong Special Administrative Region, a Council Member of the Hong Kong Trade Development Council, a Director of the Financial Services Development Council, a Member of the Process Review Panel for the Securities and Futures Commission, a Member of the Disaster Relief Fund Advisory Committee and Vice Chairman of the Asian Financial Cooperation Association.

Senior Management

The senior management of the Group comprises the Executive Directors above, namely, Mr. Hou Wailin, Mr. Lin Tiejun, Mr. Wen Yinheng, Mr. Tsang Hon Nam and Ms. Liang Yuanjuan.



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 2022.

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 18 to the financial statements, respectively.

Results and Dividends

The results of the Group for the year ended 31 December 2022 and the Group's financial position as at that date are set out in the financial statements on pages 68, 70 and 71.

An interim dividend of HK 18.71 cents (2021: HK 18.17 cents) per ordinary share was paid on 27 October 2022. The board of Directors (the "Board") has resolved to recommend the payment of a final dividend of HK 42.62 cents (2021: HK 42.54 cents) per ordinary share for the year ended 31 December 2022.

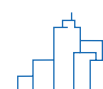
The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Friday, 16 June 2023 (the "2023 AGM"), is expected to be paid on or about Thursday, 27 July 2023 to shareholders whose names appear on the register of members of the Company on Thursday, 29 June 2023.

In order to qualify for attending and voting at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 12 June 2023.

The register of members of the Company will be closed on Thursday, 29 June 2023 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 Wednesday, 28 June 2023.

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 29 of this Annual Report. The financial risk management objectives and policies of the Group are shown in note 45 to the financial statements on pages 193 to 198 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 47 to 61 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 29, and in the Corporate Governance Report on pages 47 to 61 of this Annual Report. The above discussion and analysis forms part of this Directors' Report.



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				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
REVENUE	23,196,238	29,715,492	23,173,322	16,691,209	13,363,600
PROFIT FROM OPERATING					
ACTIVITIES AFTER FINANCE COSTS	7,199,023	8,496,354	7,984,997	7,268,493	6,758,049
Share of profits less losses of associates	44,515	(39,510)	216,250	212,930	136,597
PROFIT BEFORE TAX	7,243,538	8,456,844	8,201,247	7,481,423	6,894,646
INCOME TAX EXPENSE	(1,719,345)	(2,969,258)	(2,562,882)	(1,835,040)	(1,393,558)
PROFIT BEFORE NON-CONTROLLING					
INTERESTS	5,524,193	5,487,586	5,638,365	5,646,383	5,501,088
Non-controlling interests	(760,690)	(790,624)	(1,128,421)	(602,013)	(485,969)
PROFIT FOR THE YEAR ATTRIBUTABLE					
TO OWNERS OF THE COMPANY	4,763,503	4,696,962	4,509,944	5,044,370	5,015,119

Directors' Report

Summary of Financial Information (continued)

Assets, liabilities and non-controlling interests

	As at 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
PROPERTY, PLANT AND EQUIPMENT	7,569,778	8,125,506	7,683,847	6,848,039	7,017,886
INVESTMENT PROPERTIES	25,073,134	23,807,224	21,295,440	18,177,573	16,949,174
PREPAID LAND LEASE PAYMENTS	—	—	—	—	306,824
RIGHT-OF-USE ASSETS	611,367	798,966	604,667	586,680	—
GOODWILL	841,202	804,957	594,086	574,242	301,883
INVESTMENTS IN ASSOCIATES	4,031,380	4,390,628	4,457,613	4,136,983	3,676,701
OPERATING CONCESSION RIGHTS	21,842,960	21,787,134	15,060,664	13,889,229	13,047,462
RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS	16,672,033	15,388,206	9,547,519	4,564,949	1,464,719
RECEIVABLES UNDER A COOPERATIVE ARRANGEMENT	2,139,111	2,346,599	1,899,957	1,151,590	414,701
PROPERTIES HELD FOR SALE UNDER DEVELOPMENT	29,909,189	33,852,306	6,213,674	6,624,204	5,831,502
COMPLETED PROPERTIES HELD FOR SALE	5,513,094	987,625	4,258,089	3,980,357	5,053,081
OTHER ASSETS	18,029,540	16,517,505	17,300,652	15,504,700	18,866,492
DEFERRED TAX ASSETS	1,281,832	1,224,167	684,334	385,948	252,019
TOTAL ASSETS	133,514,620	130,030,823	89,600,542	76,424,494	73,182,444
OTHER LOANS AND LIABILITIES	(68,428,495)	(61,695,616)	(27,678,727)	(19,547,782)	(17,449,731)
DEFERRED TAX LIABILITIES	(6,576,808)	(6,430,330)	(5,965,854)	(6,183,719)	(6,272,264)
TOTAL LIABILITIES	(75,005,303)	(68,125,946)	(33,644,581)	(25,731,501)	(23,721,995)
NON-CONTROLLING INTERESTS	(15,180,675)	(15,694,179)	(11,728,163)	(9,536,626)	(9,088,194)
TOTAL EQUITY	58,509,317	61,904,877	55,955,961	50,692,993	49,460,449

Major Properties

Details of the major properties held by the Group as at 31 December 2022 are set out on pages 217 to 220 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 2022, calculated under the provisions of sections 291, 297 and 299 of the Hong Kong Companies Ordinance, amounted to HK\$6,681,628,000 (2021: HK\$6,851,192,000).

Donations

The donations made by the Group during the year amounted to HK\$496,000 (2021: HK\$12,286,000).

Directors' Report

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*)

Lin Tiejun (*Vice Chairman*)

Wen Yinheng (*Managing Director*)

Tsang Hon Nam (*Deputy General Manager*)

Liang Yuanjuan (*Chief Financial Officer*)

Non-Executive Directors

Cai Yong

Lan Runing

Feng Qingchun

Independent Non-Executive Directors

Chan Cho Chak, John

Fung Daniel Richard

Cheng Mo Chi, Moses

Li Man Bun, Brian David

Wu Ting Yuk, Anthony (retired on 23 June 2022)

In accordance with Articles 77 to 79 of the Company's Articles of Association, Mr. Hou Wailin, Ms. Liang Yuanjuan, Mr. Fung Daniel Richard and Dr. Cheng Mo Chi, Moses will retire by rotation at the 2023 AGM and shall be eligible for re-election.

Mr. Hou Wailin, Ms. Liang Yuanjuan, 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 2026, or (ii) 30 June 2026, subject to earlier determination in accordance with the Articles of Association of the Company and/or any applicable laws and regulations.

Mr. Wu Ting Yuk, Anthony would focus on other matters and did not offer himself for re-election at the annual general meeting of the Company held on 23 June 2022 (the "2022 AGM") and retired from office after the conclusion of the 2022 AGM.

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 2022 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 2023 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' Report

Directors' Material Interests in Transactions, Arrangements or Contracts

Mr. Hou Wailin and Mr. Cai Yong are directors of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited▲) ("Guangdong Holdings", being the Company's ultimate holding company) and GDH Limited ("GDH", being the Company's immediate holding company). They are deemed to be interested in the connected transactions or continuing connected transactions described in the section headed "Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" of this Annual Report.

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 2022. 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	Guangdong Holdings	Chairman	(1), (2) & (4)
	GDH	Chairman	(1), (2) & (4)
Cai Yong	Guangdong Holdings	Director & General Manager	(1), (2) & (4)
	GDH	Director & General Manager	(1), (2) & (4)

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' Report

Directors' Interests and Short Positions in Securities

As at 31 December 2022, 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)
Chan Cho Chak, John	Personal	5,450,000	Long position	0.083%
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 2022.

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)
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 2022.

Interests and short positions in GDH 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%

Note: The approximate percentage of interests held was calculated on the basis of 907,593,285 ordinary shares of GDH Guangnan (Holdings) Limited in issue as at 31 December 2022.

Directors' Report

Directors' Interests and Short Positions in Securities *(continued)*

Save as disclosed above, as at 31 December 2022, 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 2022, 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 <i>(Note 1)</i>
Guangdong Holdings <i>(Note 2)</i>	Interest in controlled corporation	3,693,453,546	Long position	56.49%
GDH <i>(Note 3)</i>	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 2022.
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 2022, 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 note 40 to the financial statements and the section headed "Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" of this Annual Report, the Group and the controlling shareholders of the Company had not entered into any contract of significance during the year.

Directors' Report

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 the section headed "Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" of this Annual Report.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 40 of the financial statements. The transactions described in the section headed "Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited" constitute connected transactions and continuing connected transactions discloseable under the Listing Rules. In respect of these transactions, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. None of the remaining related party transactions as disclosed in note 40 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 2022, 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 38% of the total revenue for the year and sales to the Group's largest customer included therein amounted to 21%. Purchases from the Group's five largest suppliers accounted for 22% of the total purchases for the year and purchases from the Group's largest supplier included therein amounted to 7%.

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 27 May 2021

Pursuant to a facility agreement (the "GDI May 2021 Facility Agreement") entered into between the Company and a bank on 27 May 2021 in relation to a term loan facility (the "GDI May 2021 Facility") for not more than 36 months in the amount of HK\$3,000 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 and/or indirectly, at least 51% of the shareholding in the Company.
- (ii) GDH ceases to be ultimately controlled and/or beneficially majority-owned (directly and/or indirectly) by the Guangdong Provincial People's Government of the People's Republic of China (the "Guangdong Provincial Government").



Directors' Report

Disclosure under Rule 13.21 of the Listing Rules *(continued)*

Facility Agreement dated 27 May 2021 *(continued)*

If an event of default under the GDI May 2021 Facility Agreement occurs, the bank may by notice to the Company:

- (i) cancel the GDI May 2021 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 May 2021 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 May 2021 Facility as at 31 December 2022 amounted to HK\$3,000 million.

Facility Letter dated 22 July 2021

Pursuant to a facility letter (the "GDI July 2021 Facility Letter") entered into between the Company and a bank on 22 July 2021 in relation to a term loan facility (the "GDI July 2021 Facility") for 364 days in the principal amount of HK\$3,000 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 and/or indirectly, at least 51% of the shareholding in the Company.
- (ii) GDH ceases to be ultimately controlled and beneficially majority-owned (directly and/or indirectly) by the Guangdong Provincial Government.

If an event of default under the GDI July 2021 Facility Letter occurs, the bank shall be entitled by notice in writing to the Company to declare that:

- (i) the GDI July 2021 Facility be cancelled, whereupon it shall be cancelled; and/or
- (ii) the loan and all interest and fees and commissions accrued and all other sums payable pursuant to the GDI July 2021 Facility Letter (notwithstanding any provision for payment by instalments therein contained) have become immediately due and payable, whereupon they shall become immediately due and payable and the Company shall immediately pay them to the bank.

The outstanding principal of the GDI July 2021 Facility as at 31 December 2022 was nil.

Facility Letter dated 11 March 2022

Pursuant to a facility letter (the "2022 First Facility Letter of GD Land") entered into between GD Land and a bank on 11 March 2022 in relation to a term loan facility (the "2022 First Facility of GD Land") for 360 days in the principal amount of HK\$1,000 million made available by the bank to GD Land.

Pursuant to the 2022 First Facility Letter of GD Land, the bank may by notice to GD Land require GD Land to fully repay the loan under the 2022 First Facility of GD Land within one month if any one of the following events has occurred:

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

Directors' Report

Disclosure under Rule 13.21 of the Listing Rules (continued)

Facility Letter dated 11 March 2022 (continued)

- (ii) Guangdong Holdings ceases to be ultimately controlled and/or beneficially majority-owned (directly and/or indirectly) by the Guangdong Provincial Government.

In addition, GD Land shall undertake that the Company continues to be its single largest shareholder and holds (directly and/or indirectly) not less than 50% of the shareholding in GD Land.

The outstanding principal of the 2022 First Facility of GD Land as at 31 December 2022 amounted to HK\$1,000 million.

Facility Letter dated 17 March 2022

Pursuant to a facility letter (the "2022 Second Facility Letter of GD Land") entered into between GD Land and a bank on 17 March 2022 in relation to an uncommitted revolving loan facility (the "2022 Second Facility of GD Land") for 360 days in the principal amount of HK\$300 million made available by the bank to GD Land.

Pursuant to the 2022 Second Facility Letter of GD Land, the bank may by notice to GD Land require GD Land to fully repay the loan under the 2022 Second Facility of GD Land immediately if any one of the following events has occurred which would constitute an event of default:

- (i) Guangdong Holdings ceases to be ultimately controlled and/or beneficially majority-owned (directly and/or indirectly) by the Guangdong Provincial Government; or
- (ii) Guangdong Holdings ceases to beneficially own, directly and/or indirectly, at least 51% of the shareholding in the Company; or
- (iii) The Company ceases to retain as the single largest shareholder of GD Land and ceases to hold (whether directly or indirectly) at least 50% shareholding in GD Land.

The outstanding principal of the 2022 Second Facility of GD Land as at 31 December 2022 amounted to HK\$300 million.

Facility Letter dated 28 June 2022

Pursuant to a facility letter (the "GDI June 2022 Facility Letter") entered into between the Company and a bank on 28 June 2022 in relation to a term loan facility (the "GDI June 2022 Facility") for 364 days in the principal amount of HK\$3,000 million made available by the bank to the Company. Pursuant to the GDI June 2022 Facility Letter, the Company undertakes with the bank that it will:

- (i) procure that GDH shall not cease to be ultimately and beneficially controlled and majority-owned (directly and/or indirectly) by the Guangdong Provincial Government; and
- (ii) procure that GDH shall not cease to beneficially own, directly and/or indirectly, at least 51% of the shareholdings in the Company.

If the Company is in breach of any of the above undertakings under the GDI June 2022 Facility Letter, and the failure to comply is not remedied within 15 Business Days of the bank giving written notice to the Company or the Company becoming aware of the failures to comply (whichever is the earlier), the bank may by notice to the Company declare that an event of default or a prospective event of default has occurred and that the advances under the Facility and all interest accrued thereon has become immediately due and payable.

The outstanding principal of the GDI June 2022 Facility as at 31 December 2022 amounted to HK\$3,000 million.



Directors' Report

Disclosure under Rule 13.21 of the Listing Rules (continued)

First Facility Letter dated 6 March 2023

Pursuant to a facility letter (the "2023 First Facility Letter of GD Land") entered into between GD Land and a bank on 6 March 2023 in relation to a term loan facility (the "2023 First Facility of GD Land") for 360 days in the principal amount of HK\$500 million made available by the bank to GD Land.

Pursuant to the 2023 First Facility Letter of GD Land, the bank may by notice to GD Land require GD Land to fully repay the loan under the 2023 First Facility of GD Land within one month if, among others, any one of the following events has occurred:

- (i) Guangdong Holdings ceases to beneficially own, directly and/or indirectly, at least 51% of the shareholding in the Company; or
- (ii) Guangdong Holdings ceases to be ultimately controlled and/or beneficially majority-owned (directly and/or indirectly) by the Guangdong Provincial Government.

In addition, GD Land shall undertake to ensure that the Company continues to be the single largest shareholder and holds (directly or indirectly) not less than 50% of the shareholding in GD Land.

Second Facility Letter dated 6 March 2023

Pursuant to a facility letter (the "2023 Second Facility Letter of GD Land") entered into between GD Land and a bank on 6 March 2023 in relation to an uncommitted revolving loan facility (the "2023 Second Facility of GD Land") for 360 days in the principal amount of HK\$500 million made available by the bank to GD Land.

Pursuant to the 2023 Second Facility Letter of GD Land, the bank may by notice to GD Land require GD Land to fully repay the loan under the 2023 Second Facility of GD Land immediately if, among others, any one of the following events has occurred which would constitute an event of default:

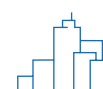
- (i) GD Land ceases to be a subsidiary of the Company; or
- (ii) GD Land ceases to be a subsidiary of Guangdong Holdings.

Third Facility Letter dated 7 March 2023

Pursuant to a facility letter (the "2023 Third Facility Letter of GD Land") entered into between GD Land and a bank on 7 March 2023 in relation to an uncommitted revolving loan facility (the "2023 Third Facility of GD Land") for 360 days in the principal amount of HK\$300 million made available by the bank to GD Land.

Pursuant to the 2023 Third Facility Letter of GD Land, the bank may by notice to GD Land require GD Land to fully repay the loan under the 2023 Third Facility of GD Land immediately if, among others, any one of the following events has occurred which would constitute an event of default:

- (i) Guangdong Holdings ceases to be ultimately controlled and/or beneficially majority-owned (directly and/or indirectly) by the Guangdong Provincial Government;
- (ii) Guangdong Holdings ceases to beneficially own, directly and/or indirectly, at least 51% of the shareholding in the Company; or
- (iii) the Company ceases to retain as the single largest shareholder of GD Land and ceases to hold (whether directly or indirectly) at least 50% shareholding in GD Land.



Directors' Report

Changes in Directors' Information

The changes in Directors' information are set out below:

- (i) Mr. Wen Yinheng and Mr. Tsang Hon Nam ceased to be a director of Guangdong (International) Hotel Management Holdings Limited, a subsidiary of the Company, with effect from 28 March 2022.
- (ii) Dr. Chan Cho Chak, John was appointed the Pro-Chancellor, and ceased to be the Chairman of the Court of the Hong Kong University of Science and Technology, both with effect from 6 March 2023.
- (iii) Mr. Fung Daniel Richard was appointed Vice-Chairman and a director of the Financial Services Development Council and convenor of Policy Research Committee on 17 January 2023; and his term of the National Delegate to the Chinese People's Political Consultative Conference expired on 3 March 2023.
- (iv) Dr. Cheng Mo Chi, Moses was appointed a senior consultant at P.C. Woo & Co., with effect from 1 February 2023.
- (v) Mr. Li Man Bun, Brian David was appointed a member of the Process Review Panel for the Securities and Futures Commission, a member of the Disaster Relief Fund Advisory Committee, Vice Chairman of the Committee on Social and Legal Affairs of the Chinese People's Political Consultative Conference National Committee and a Member of the Chief Executive's Council of Advisers of the Government of the Hong Kong Special Administrative Region with effect from 1 November 2022, 1 January 2023, 13 March 2023 and 17 March 2023, respectively.

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

At the annual general meeting of the Company held on 23 June 2022, Ernst & Young retired as the independent auditor of the Company and KPMG was appointed as the new independent auditor of the Company.

The consolidated financial statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2023 AGM for the re-appointment of KPMG as the independent auditor of the Company.

By Order of the Board

HOU Wailin

Chairman

Hong Kong, 30 March 2023

Corporate Governance Report

Business Model and Development Strategies

The principal businesses of the Company and its subsidiaries (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 2022 and, where appropriate, the applicable recommended best practices of the CG Code, save as disclosed below:

Due to travel restrictions as a result of the pandemic, the Chairman of the board of Directors (the “Board”) and the chairman of the Nomination Committee was unable to attend the annual general meeting of the Company held on 23 June 2022 (the “2022 Annual General Meeting”) as required by Code Provision F.2.2. Nevertheless, with the consent of the other Directors present, Mr. Wen Yinheng, Managing Director of the Company, chaired the 2022 Annual General Meeting.

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.

Corporate Governance Report

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.

The Company has established internal policies (including but not limited to the Articles of Association, and Terms of References of the Audit Committee, Remuneration Committee and Nomination Committee) to ensure that the Board has access to independent views and opinions. These policies cover the Company's procedures and selection criteria for the election and appointment of directors (including independent non-executive directors), the mechanism for directors to abstain from voting on relevant proposals considered by the Board, and the authority of the independent board committee to engage independent financial advisors or other professional consultants. The Company has reviewed the implementation and effectiveness of the aforesaid mechanisms and considers that the aforesaid mechanisms can ensure the independent views and opinions of the Board.

Board Composition

As at the date of this report, the Board comprises five Executive Directors, being Mr. Hou Wailin, Mr. Lin Tiejun, Mr. Wen Yinheng, Mr. Tsang Hon Nam and Ms. Liang Yuanjuan, three Non-Executive Directors, being Mr. Cai Yong, Mr. Lan Runing and Mr. Feng Qingchun, and four Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Li Man Bun, Brian David. Mr. Wu Ting Yuk, Anthony would focus on other matters and did not offer himself for re-election at the AGM held on 23 June 2022 (the "2022 AGM") upon retirement by rotation in accordance with the Articles of Association of the Company. Accordingly, Mr. Wu retired as a Director of the Company after the conclusion of the 2022 AGM, and he also ceased to be the Chairman and a member of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. The aforementioned change in Board composition has been taken effect from 23 June 2022.

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.

Against the background of an increasingly complex and volatile environment, the Company recognizes that effective risk management is crucial to its success. With their distinguished track record in the financial industry, considerable accounting and auditing experience or through chairing the audit and risk committee of other public listed companies, the Board has Non-Executive Directors (including the Independent Non-Executive Directors) who possess the requisite risk management expertise that contribute to the effective discharge of the Board's duties in the oversight of the risk management and internal control systems of the Group.

Notwithstanding that certain Executive Directors and Non-Executive Directors of the Company occupied senior government level positions in Mainland China prior to joining the Group, all of them are no longer government officials or representatives.



Corporate Governance Report

Board of Directors (continued)

Board Composition (continued)

Although less than half of our Board members are Independent Non-Executive Directors, four out of our existing twelve Directors are independent, representing one-third of Board composition. Our Independent Non-Executive Directors are highly accomplished individuals in their respective industries, fields and communities, possessing a wealth of expertise and experience. They provide constructive advice to the Company and contribute to effective decision-making of the Board. Their willingness to stay on the Board is clearly a vote of confidence on the Company.

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.

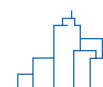
Under the guidance and instructions of the Board, the Managing Director, leading the management of the Company, is accountable to the Board for the implementation of the Company's strategies and the coordination of various business operations.

Appointment and Re-election of Directors

All Directors (including Executive Directors, Non-Executive Directors and Independent Non-Executive Directors) of the Company 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 subject to retirement by rotation at least once every three year, in accordance with the articles of association of the Company and/or any applicable laws and regulations.

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 four Independent Non-Executive Directors, namely Dr. Chan Cho Chak, John, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Li Man Bun, Brian David in accordance with Rule 3.13 of the Listing Rules.



Corporate Governance Report

Board of Directors *(continued)*

Independence of Independent Non-Executive Director *(continued)*

Although Dr. Cheng Mo Chi, Moses and Mr. Li Man Bun, Brian David are currently directors of three or more listed companies (including the Company), they are mostly assuming a non-executive role therein. As proven by their good attendance record at the meetings of the Board, Remuneration Committee, Nomination Committee, Audit Committee and general meetings, the Board considers that they have the capacity to devote sufficient time to fulfill their duties as Directors of the Company.

Although Dr. Chan Cho Chak, John, 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 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, Mr. Fung and Dr. Cheng remain independent, notwithstanding the length of their tenure.

The Board as well as the Nomination Committee have discussed and 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 non-executive 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.



Corporate Governance Report

Board of Directors (continued)

Contributions of Independent Non-Executive Directors (continued)

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 existing 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 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 twelve directors. Four 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 30 to 34 to this Annual Report demonstrate a diversity of skills, expertise, experience and qualifications.

The Board strived to maintain a balanced composition in terms of gender. Ms. Liang Yuanjuan has been acting as an Executive Director of the Board since 27 March 2021.

To ensure there is gender diversity on the Board, the Board has set a target that there must be at least one Director of different gender on the Board at all times, subject to our Directors (i) being satisfied with the competence and experience of the relevant candidates after a holistic review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interest of our Company and the shareholders as a whole when deliberating on the appointment.



Corporate Governance Report

Board of Directors (continued)

Board Diversity Policy (continued)

To develop a pipeline of potential successors of different genders to the Board, our Company will (i) ensure that there is emphasis on gender diversity when recruiting staff at all levels; and (ii) engage fair resources in training staff of different genders with the aim of promoting them to be members of senior management or the Board. Through this, the Company is committed to identifying suitable candidates of different genders both internally and externally in order to achieve the abovementioned target.

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, five 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 from time to time. 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 on 30 August 2022 for the Directors on "Bribery Offences in Hong Kong and Responsibilities of Directors of Listed Companies". Training materials have also been provided to the Directors to develop and refresh their professional skills.



Corporate Governance Report

Directors' Induction and Continuous Professional Development (continued)

According to the records kept by the Company, the Directors attended the following trainings during the year ended 31 December 2022.

Name of Director	In-house Directors' training	Seminars, Conferences, Webcasts and Training Materials
Hou Wailin	✓	✓
Lin Tiejun	✓	✓
Wen Yinheng	✓	✓
Tsang Hon Nam	✓	✓
Liang Yuanjuan	✓	✓
Cai Yong	✓	✓
Lan Runing	✓	✓
Feng Qingchun	✓	✓
Chan Cho Chak, John	✓	✓
Fung Daniel Richard	✓	✓
Cheng Mo Chi, Moses	✓	✓
Li Man Bun, Brian David	✓	✓
Wu Ting Yuk, Anthony (retired on 23 June 2022)	—	✓

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 listing rules and regulations as well as environmental, social and corporate governance.

Board Committees

The Board has established various committees, including Audit Committee, Remuneration Committee and 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

As at the date of this report, the Remuneration Committee comprises all four Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Li Man Bun, Brian David. 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 2022 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.

Corporate Governance Report

Board Committees *(continued)*

Remuneration Committee *(continued)*

The meeting of the Remuneration Committee shall be held at least once a year and when necessary. During the year ended 31 December 2022, the Remuneration Committee had held two 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. 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 2022 are set out in note 8 to the financial statements.

With a view to further aligning the interests of our senior management personnel with the long-term interest of the Company, incentive deferral and claw back mechanisms are in place for bonus or incentive to senior management personnel.

In response to the changes in the Listing Rules, the Company revised the terms of reference of the Remuneration Committee on 30 March 2023.

Nomination Committee

As at the date of this report, the Nomination Committee comprises Mr. Hou Wailin, Chairman of the Board, and all four Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Li Man Bun, Brian David. Mr. Hou Wailin is the Chairman of the Nomination Committee.

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 year ended 31 December 2022, the Nomination Committee held one meeting 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 and 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.

In response to the changes in the Listing Rules, the Company revised the terms of reference of the Nomination Committee on 30 March 2023.



Corporate Governance Report

Board Committees (continued)

Audit Committee

As at the date of this report, the Audit Committee comprises all four Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Li Man Bun, Brian David. Mr. Li Man Bun, Brian David is the Chairman of the Audit Committee.

The meetings of the Audit Committee shall be held at least twice a year or as and when necessary. During the year ended 31 December 2022, the Audit Committee had held four meetings to review, among other matters, the 2021 annual results, the 2022 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, financial reporting functions and related environmental, social and governance performance, 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.

In response to the changes in the Listing Rules, the Company revised the terms of reference of the Audit Committee on 30 March 2023.

Board and Committee 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 2022 are set out below:

Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	Annual General Meeting
Executive Directors					
Hou Wailin	5/5	—	1/1	—	0/1
Lin Tiejun	5/5	—	—	—	1/1
Wen Yinheng	5/5	—	—	—	1/1
Tsang Hon Nam	5/5	—	—	5/5	1/1
Liang Yuanjuan	5/5	—	—	5/5	0/1
Non-Executive Directors					
Cai Yong	4/5	—	—	—	0/1
Lan Runing	4/5	—	—	—	0/1
Feng Qingchun	5/5	—	—	—	0/1
Independent Non-Executive Directors					
Chan Cho Chak, John	5/5	2/2	1/1	4/4	1/1
Fung Daniel Richard	4/5	2/2	0/1	3/4	0/1
Cheng Mo Chi, Moses	5/5	2/2	1/1	4/4	1/1
Li Man Bun, Brian David	5/5	2/2	1/1	4/4	1/1
Wu Ting Yuk, Anthony (retired on 23 June 2022)	2/2	1/1	1/1	1/1	1/1

Note: Due to travel restrictions as a result of the pandemic, certain Directors were unable to attend the 2022 annual general meeting.

Corporate Governance Report

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 2022, 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 2022, 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. For the year under review, 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 existing and former auditors, being KPMG and Ernst & Young, respectively, is set out as follows:

Services rendered by KPMG	Fee paid/payable <i>HK\$'000</i>
Audit of annual financial statements	8,650
Review of interim results	2,250
Agreed-upon procedures on 2022 third quarterly results	662
Assurance engagement in respect of discount cash flow forecasts	350
Sub-total (note 1)	11,912
Services rendered by Ernst & Young	Fee paid/payable <i>HK\$'000</i>
Agreed-upon procedures on 2022 first quarterly results	742
Total (note 2)	12,654

Notes:

- Another member firm of the KPMG global network was engaged by certain subsidiaries of the Company for (i) audit of financial statements and (ii) financial and tax due diligence services. The relevant remuneration amounted to HK\$5,185,000 and HK\$1,035,000, respectively.
- The above analysis does not include the services engaged by GD Land. Please refer to the 2022 annual report of GD Land for the relevant details.

Corporate Governance Report

Accountability and Audit (continued)

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 oversees 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.

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, whistleblowing 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 by the internal audit department. During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit, financial reporting functions and related environmental, social and governance performance, 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 (including ESG risks) and internal control system and is satisfied that the risk management and internal control systems (including those for ESG-related risks) 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.



Corporate Governance Report

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.

Ms. Yang Na was appointed the Company Secretary of the Company on 28 March 2020. She is a full-time employee and is also the General Counsel of the Company. She has day-to-day knowledge of the Company's affairs, in particular, legal, compliance and risk management matters 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, provides induction training on compliance matters including briefings on the general and specific responsibilities of directors under legal and regulatory requirements for newly appointed Directors.

For the year under review, Ms. Yang 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' Enquiries and Proposals

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, 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.



Corporate Governance Report

INVESTOR RELATIONS

Communication with Shareholders

The Company has adopted a communication policy for shareholders (the “Shareholders’ Communication Policy”) which aims at (a) promoting effective communication with the Shareholders and other stakeholders; (b) encouraging the Shareholders to engage actively with the Company; and (c) enabling the Shareholders to exercise their rights as shareholders effectively. The Shareholders’ Communication Policy is available on the website of the Company. The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. 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 briefing meetings, announcements, conference calls and presentations.

The Board conducted a review of the implementation and effectiveness of the Shareholders’ Communication Policy. Having considered the multiple channels of communication in place, the Board is satisfied that the Shareholders’ Communication Policy has been properly implemented during 2022 and is effective. 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.

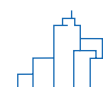
Dividend Policy

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 as that proposed or declared.

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. With the announcement of the national 2060 carbon neutral target, the Group is fully aware of the associated impacts and expectations from stakeholders on its direction in becoming a more climatically and environmentally conscious business. 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 and power generation business segments, the Group has conducted climate-related risk assessments and will disclose relevant information with reference to recognised disclosure standards in identifying, analysing and responding to the significant physical and transition risks in relation to its climate-prone operations.



Corporate Governance Report

Environmental Policies and Performance (continued)

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 2022 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 2022 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 Executive Directors, the Company Secretary 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 prioritises the material ESG issues, review and monitors the achievement of environmental targets and 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 correct direction towards its sustainable business development. Moreover, the ESG Committee reports to the Board 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 2022, the Group has carried out a materiality identification and assessment to identify issues that are the most relevant and have the most significant impact in two dimensions, the Group and its stakeholders. Considering the emerging attention from the government, industry, investors, and market, and with reference to the best practices implemented by regional and international industry peers, the Group constantly reviews and updates the results of the materiality assessment to reflect its latest business and sustainable development directions.

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 2022 environmental, social and governance report to be issued separately.



Corporate Governance Report

Employees

Employees are one of the Group's most important assets. The Group has put in place stringent recruitment policies and procedures to ensure 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 continuous 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 customers, together with comprehensive customer feedback and complaint management mechanisms established in different business segments, securing the Group's delivery of services and products of quality and standards. The Group also takes proactive actions in encouraging responsible customer behaviors. For example, the water resources segment promotes water conservation through various community activities to cultivate conscious consumption practices, thereby relieving the surging water stress.

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 environmental management, 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 prioritized suppliers that provide environmentally friendly products.

By Order of the Board

HOU Wailin

Chairman

Hong Kong, 30 March 2023



Independent Auditor's Report



Independent auditor's report 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 68 to 200, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022 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 ("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.

Independent Auditor's Report

Key audit matters (continued)

Assessing the fair value of investment properties

Refer to note 3 and 14 to the consolidated financial statements and the accounting policies on pages 90 to 113.

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2022, the Group had completed investment properties and investment properties under development (together "investment properties") stated at fair value of HK\$25,073 million. Changes in fair value during the year recognised and presented as fair value gains on investment properties amounted to HK\$937 million for the year ended 31 December 2022.</p> <p>Management has engaged external valuers to determine the valuation of the Group's investment properties as at 31 December 2022. The determination of these fair values involves significant judgement and estimation, particularly in relation to selecting the appropriate valuation methodology, capitalisation rates, term yield, estimated developer profit and market rents.</p> <p>We identified assessing the fair value of investment properties as a key audit matter because of the inherent risks involved in estimating the values of investment properties, particularly in light of the current economic circumstances.</p>	<p>Our audit procedures to assess the fair value of investment properties included the following:</p> <ul style="list-style-type: none">• obtaining and inspecting the valuation reports prepared by the external property valuers engaged by management;• assessing the external property valuers' competence, capabilities and objectivity;• with the assistance of our internal property valuation specialists, discussing with the external property valuers on the valuation methodology and the key estimates and assumptions, and on a sample basis:<ul style="list-style-type: none">• evaluating appropriateness of the valuation methodology adopted with reference to the requirements of the prevailing accounting standards;• assessing the reasonableness of the key estimates and assumptions (including capitalisation rates, term yield, estimated developer profit and market rents), by comparing with market data; and• comparing tenancy information, including passing rents and lease period provided by the Group to the external property valuers, with underlying contracts, on a sample basis.



Independent Auditor's Report

Key audit matters (continued)

Assessing the net realisable values of completed properties held for sale and properties held for sale under development

Refer to note 3 and 21 to the consolidated financial statements and the accounting policies on pages 90 to 113.

The Key Audit Matter

As at 31 December 2022, the aggregate carrying value of the Group's properties held for sale under development and completed properties held for sale (together "Properties") totalled HK\$35,422 million. Properties principally comprise residential properties, commercial units and car parks in the Greater Bay Area.

Properties are stated at the lower of cost and net realisable value. The calculation of the net realisable value of Properties involves significant management judgement, particularly in estimating costs to completion and future selling prices. Estimation of costs to completion and future selling prices are inherently uncertain due to changes in market demand and government policies.

We identified assessing the net realisable value of Properties as a key audit matter because of the inherent risks involved in estimating net realisable values, particularly in light of the current economic circumstances.

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of Properties included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project;
- discussing with management the progress of each property development project, and the development budgets reflected in the latest forecasts for each property development project;
- evaluating the appropriateness of the methodology adopted by the management with reference to industry practice and the requirements of the prevailing accounting standards;
- on a sample basis, assessing the reasonableness of key estimates and assumptions adopted in the assessment, including those relating to average net selling prices and costs to completion, by comparing the future selling prices with market available data and the sales budget plans maintained by the Group and by comparing the costs to completion with the Group's latest development budget;
- comparing the costs incurred to 31 December 2022 with budgets made at 31 December 2021, on a sample basis, to assess the accuracy of management's forecasting and budgeting process; and
- evaluating selected sensitivity analyses prepared by the management for the key assumptions adopted in the net realisable value estimations, including forecast selling prices and costs to completion, and considering whether there is any indication of management bias.

Independent Auditor's Report

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all 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 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors 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. This 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.



Independent Auditor's Report

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

As part of an audit in accordance with HKSA's, 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.

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, actions taken to eliminate threats or safeguards applied.



Independent Auditor's Report

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

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 Lee Wai Shun, Wilson.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2023



Consolidated Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
REVENUE	5	23,196,238	29,715,492
Cost of sales		(13,373,075)	(18,077,696)
Gross profit		9,823,163	11,637,796
Other income and gains, net	5	406,655	488,932
Changes in fair value of investment properties		937,012	640,627
Selling and distribution expenses		(739,266)	(1,018,557)
Administrative expenses		(2,820,002)	(2,647,394)
Exchange differences, net		48,028	(85,445)
Other operating income, net		403,886	24,113
Finance costs	7	(860,453)	(543,718)
Share of profits less losses of associates		44,515	(39,510)
PROFIT BEFORE TAX	6	7,243,538	8,456,844
Income tax expense	10	(1,719,345)	(2,969,258)
PROFIT FOR THE YEAR		5,524,193	5,487,586
Attributable to:			
Owners of the Company		4,763,503	4,696,962
Non-controlling interests		760,690	790,624
		5,524,193	5,487,586
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted		HK72.86 cents	HK71.84 cents



Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
PROFIT FOR THE YEAR	5,524,193	5,487,586
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations:		
– Subsidiaries	(4,683,969)	1,549,549
– Associates	(400,839)	170,891
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	(5,084,808)	1,720,440
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	(2,853)
Fair value gains of property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	23,962	569
Share of remeasurement gain/(loss) on defined benefit plans, net of tax		
– Subsidiaries	6,591	(5,705)
– An associate	(206)	(11,718)
	30,347	(19,707)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(5,054,461)	1,700,733
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	469,732	7,188,319
Attributable to:		
Owners of the Company	977,517	5,941,055
Non-controlling interests	(507,785)	1,247,264
	469,732	7,188,319

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	7,569,778	8,125,506
Investment properties	14	25,073,134	23,807,224
Right-of-use assets	15(a)	611,367	798,966
Goodwill	16	841,202	804,957
Other intangible assets	17	706,345	34,461
Investments in associates	18	4,031,380	4,390,628
Operating concession rights	19(a)	21,842,960	21,787,134
Receivables under service concession arrangements	19(b)	16,296,533	14,902,721
Receivables under a cooperative arrangement	20	2,034,000	2,346,599
Equity investments designated at fair value through other comprehensive income	22	55,039	30,568
Prepayments and other receivables	24	950,298	613,588
Deferred tax assets	30	1,281,832	1,224,167
Total non-current assets		81,293,868	78,866,519
CURRENT ASSETS			
Properties held for sale under development	21	29,909,189	33,852,306
Completed properties held for sale	21	5,513,094	987,625
Tax recoverable		298,847	104,637
Inventories	23	302,063	309,215
Receivables under service concession arrangements	19(b)	375,500	485,485
Receivables under a cooperative arrangement	20	105,111	–
Receivables, prepayments and other receivables	24	5,277,675	4,510,793
Due from non-controlling equity holders of subsidiaries	27	918,079	849,731
Restricted bank balances	25	583,074	469,412
Cash and bank balances	25	8,938,120	9,595,100
Total current assets		52,220,752	51,164,304



Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
CURRENT LIABILITIES			
Payables, accruals and other liabilities	26(a)	(14,835,801)	(21,783,591)
Contract liabilities	26(b)	(6,830,491)	(3,658,674)
Tax payable		(3,206,500)	(3,704,614)
Due to non-controlling equity holders of subsidiaries	27	(672,969)	(1,080,315)
Bank and other borrowings	28	(10,044,788)	(6,928,489)
Lease liabilities	15(b)	(77,733)	(89,116)
Total current liabilities		(35,668,282)	(37,244,799)
NET CURRENT ASSETS		16,552,470	13,919,505
TOTAL ASSETS LESS CURRENT LIABILITIES		97,846,338	92,786,024
NON-CURRENT LIABILITIES			
Bank and other borrowings	28	(30,690,800)	(21,812,864)
Lease liabilities	15(b)	(563,173)	(937,322)
Due to non-controlling equity holders of subsidiaries	27	(113,000)	(115,732)
Other liabilities and contract liabilities	29	(1,393,240)	(1,584,899)
Deferred tax liabilities	30	(6,576,808)	(6,430,330)
Total non-current liabilities		(39,337,021)	(30,881,147)
Net assets		58,509,317	61,904,877
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	8,966,177	8,966,177
Reserves	32	34,362,465	37,244,521
Non-controlling interests		43,328,642	46,210,698
		15,180,675	15,694,179
Total equity		58,509,317	61,904,877

Hou Wailin
Director

Liang Yuanjuan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

Notes	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Asset revaluation reserve	Capital reserve	Expansion fund reserve	Exchange fluctuation reserve	Other reserves	Fair value reserve	Defined benefit plan reserve	Retained profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
			(note 32(ii))	(note 32(ii))				(note 32(iii))					
At 1 January 2022	8,966,177	445,457*	1,756,326*	3,929,753*	2,335,724*	(265,404)*	1,227*	(22,844)*	29,064,282*	46,210,698	15,694,179	61,904,877	
Profit for the year	-	-	-	-	-	-	-	-	4,763,503	4,763,503	760,690	5,524,193	
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations													
– Subsidiaries	-	-	-	-	(3,412,815)	-	-	-	-	(3,412,815)	(1,271,154)	(4,683,969)	
– Associates	-	-	-	-	(400,839)	-	-	-	-	(400,839)	-	(400,839)	
Fair value gains on property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	-	23,962	-	-	-	-	-	-	-	23,962	-	23,962	
Share of remeasurement gain(loss) on defined benefit plan, net of tax													
– Subsidiaries	-	-	-	-	-	-	-	3,912	-	3,912	2,679	6,591	
– An associate	-	-	-	-	-	-	-	(206)	-	(206)	-	(206)	
Total comprehensive income for the year	-	23,962	-	-	(3,813,654)	-	-	3,706	4,763,503	977,517	(507,785)	469,732	
Put option on non-controlling interest in a subsidiary	26	-	-	-	-	144,602	-	-	-	144,602	(6,786)	137,816	
Business combinations through acquisition of subsidiaries	34	-	-	-	-	-	-	-	-	-	182,291	182,291	
Asset acquisitions through acquisition of subsidiaries	35	-	-	-	-	-	-	-	-	-	161,777	161,777	
Disposal of subsidiaries	36	-	-	-	-	-	(1,227)	-	1,227	-	(92,583)	(92,583)	
Capital injection from non-controlling equity holders of subsidiaries		-	-	-	-	-	-	-	-	-	129,243	129,243	
Change in non-controlling interests without change in control		-	240	-	-	-	-	-	-	240	(240)	-	
Dividends paid and payable to non-controlling equity holders of subsidiaries		-	-	-	-	-	-	-	-	-	(379,421)	(379,421)	
Transfer from retained profits		-	-	286,416	-	-	-	-	(286,416)	-	-	-	
Final 2021 dividend paid		-	-	-	-	-	-	-	(2,781,189)	(2,781,189)	-	(2,781,189)	
Interim 2022 dividend paid	11	-	-	-	-	-	-	-	(1,223,226)	(1,223,226)	-	(1,223,226)	
At 31 December 2022		8,966,177	469,419*	1,756,566*	4,216,169*	(1,477,930)*	(120,802)*	-*	(19,138)*	29,538,181*	43,328,642	15,180,675	58,509,317

* These reserve accounts comprise the consolidated reserves of HK\$34,362,465,000 (2021: HK\$37,244,521,000) in the consolidated statement of financial position as at 31 December 2022.

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

Notes	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Asset revaluation reserve	Capital reserve	Expansion fund reserve	Exchange fluctuation reserve	Other reserves	Fair value reserve	Defined benefit plan reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000 (note 32(ii))	HK\$'000 (note 32(i))	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note 32(iii))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	8,966,177	445,025	1,765,933	3,611,969	1,072,866	(204,898)	4,080	(6,500)	28,573,146	44,227,798	11,728,163	55,955,961
Profit for the year	-	-	-	-	-	-	-	-	4,696,962	4,696,962	790,624	5,487,586
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations												
– Subsidiaries	-	-	-	-	1,091,967	-	-	-	-	1,091,967	457,582	1,549,549
– Associates	-	-	-	-	170,891	-	-	-	-	170,891	-	170,891
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(2,853)	-	-	(2,853)	-	(2,853)
Fair value gains on property, plant and equipment upon transfer to investment properties, net of tax	-	432	-	-	-	-	-	-	-	432	137	569
Share of rereasurement loss on defined benefit plan, net of tax												
– Subsidiaries	-	-	-	-	-	-	-	(4,626)	-	(4,626)	(1,079)	(5,705)
– An associate	-	-	-	-	-	-	-	(11,718)	-	(11,718)	-	(11,718)
Total comprehensive income for the year	-	432	-	-	1,262,858	-	(2,853)	(16,344)	4,696,962	5,941,055	1,247,264	7,188,319
Put option on non-controlling interest in a subsidiary	26	-	-	-	-	(60,506)	-	-	-	(60,506)	28,080	(32,426)
Business combinations through acquisition of subsidiaries	34	-	-	-	-	-	-	-	-	-	2,264,633	2,264,633
Asset acquisitions through acquisition of subsidiaries	35	-	-	-	-	-	-	-	-	-	746,317	746,317
Capital injection from non-controlling equity holders of subsidiaries											282,575	282,575
Change in non-controlling interests without change in control			(9,607)							(9,607)	9,607	-
Dividends paid and payable to non-controlling equity holders of subsidiaries											(612,460)	(612,460)
Transfer from retained profits				317,784					(317,784)			
Final 2020 dividend paid									(2,700,120)	(2,700,120)		(2,700,120)
Interim 2021 dividend paid	11								(1,187,922)	(1,187,922)		(1,187,922)
At 31 December 2021	8,966,177	445,457	1,756,326	3,929,753	2,335,724	(265,404)	1,227	(22,844)	29,064,282	46,210,698	15,694,179	61,904,877

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,243,538	8,456,844
Adjustments for:			
Finance costs	7	860,453	543,718
Share of profits less losses of associates		(44,515)	39,510
Bank interest income	5	(144,027)	(213,753)
Interest income from receivables under a cooperative arrangement	5	(114,913)	(135,752)
Net gain on disposal of subsidiaries	6	(27,893)	–
Loss on disposal of an associate	6	4,602	–
Depreciation of property, plant and equipment	6	651,580	559,356
Depreciation of right-of-use assets	6	75,714	77,531
Amortisation of operating concession rights	6	1,320,355	1,249,981
Amortisation of other intangible assets	6	17,487	2,572
Gain on lease modification	6	(78,553)	–
Changes in fair value of investment properties	14	(937,012)	(640,627)
Loss on deemed disposal of an associate	6	–	3,064
(Gain)/loss on disposal of property, plant and equipment, net	6	(1,561)	2,325
Gain on disposal of an investment property	6	(102,519)	–
Impairment on operating concession rights	6	–	2,492
Gain on disposal of operating concession rights, net	6	(61,101)	–
Exchange (gain)/loss, net		(53,577)	71,888
Reversal of impairment losses for trade receivables, net	6	(8,878)	(1,874)
Operating profit before working capital changes		8,599,180	10,017,275
Increase in inventories		(22,728)	(23,583)
(Increase)/decrease in receivables, prepayments, other receivables and assets		(1,431,075)	1,543,357
Increase in receivables under service concession arrangements		(2,527,617)	(3,336,641)
Decrease in completed properties held for sale		867,690	3,376,700
Increase in properties held for sale under development		(4,142,774)	(24,358,195)
(Decrease)/increase in payables, accruals and other liabilities		(4,227,735)	10,822,934
Increase in contract liabilities		3,641,955	173,608
Movement in balances with non-controlling equity holders of subsidiaries, net		(450,445)	(406,685)
Increase in restricted bank balances		(164,073)	(343,410)
Cash generated from/(used in) operations		142,378	(2,534,640)
Interest received		203,109	196,405
Dividends received from associates		64,099	185,794
Hong Kong profits tax paid		(6,811)	(10,179)
Mainland China tax paid		(1,801,623)	(2,776,634)
Net cash flows used in operating activities		(1,398,848)	(4,939,254)



Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Net movement in receivables under a cooperative agreement		124,000	(249,141)
Purchases of property, plant and equipment		(712,615)	(847,863)
Additions to right-of-use assets		(11,259)	(9,271)
Additions to service concession arrangements		(2,130,452)	(3,109,819)
Additions to investment properties		(728,225)	(1,142,138)
Additions to other intangible assets		(41,277)	(11)
Additions to equity investments designated at fair value through other comprehensive income		(37,650)	–
Business combinations through acquisition of subsidiaries	34	(897,170)	(326,059)
Asset acquisitions through acquisition of subsidiaries	35	(880,139)	(583,656)
Capital injection in associates		(35,842)	(28,757)
Proceeds from disposal of property, plant and equipment		37,850	20,147
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		597,236	430,402
Net cash outflows arising from disposal of subsidiaries	36	(86,517)	–
Deposits paid for acquisition of subsidiaries		(284,909)	–
Settlement of consideration payable for acquisition of subsidiaries in the prior years		(707,823)	(3,601)
Net cash flows used in investing activities		(5,794,792)	(5,849,767)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		25,874,472	27,071,892
Repayments of bank and other borrowings		(11,996,896)	(12,033,068)
Interest paid		(1,448,220)	(778,649)
Decrease in amounts due to the ultimate holding company and fellow subsidiaries		–	(5,667)
Capital contribution from non-controlling equity holders of subsidiaries		86,331	235,744
Principal portion of lease payments	37(d)	(73,380)	(72,715)
Dividends paid to non-controlling equity holders of subsidiaries		(264,556)	(323,749)
Dividends paid to shareholders		(4,004,415)	(3,888,042)
Payment for the acquisition of non-controlling interests in a subsidiary		(201,699)	–
Net cash flows generated from financing activities		7,971,637	10,205,746
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		777,997	(583,275)
Cash and cash equivalents at beginning of year		8,833,627	9,197,749
Effect of foreign exchange rate changes, net		(797,059)	219,153
CASH AND CASH EQUIVALENTS AT END OF YEAR		8,814,565	8,833,627
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	8,294,680	7,928,297
Non-pledged time deposits with original maturity of less than three months when acquired	25	519,885	905,330
Cash and cash equivalents as stated in the consolidated statement of cash flows		8,814,565	8,833,627



Notes to Financial Statements

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") ("Mainland China").

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2022 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	
Baoying GDH Water Co., Ltd. ⁽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 Co., Ltd.▲) ⁽⁴⁾	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
東莞市常平粵海環保有限公司 (Dongguan Changping Guangdong Huanbao Co., Ltd.▲) ⁽¹⁾⁽⁴⁾	Mainland China	RMB35,000,000	-	90.1%	Sewage treatment operation
東莞市道滘粵海環保有限公司 (Dongguan Daojiao Guangdong Huanbao 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

Notes to Financial Statements

1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2022 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	
Dongguan Yuehai Yinping Development and Construction Limited ("Dongguan Yuehai Yinping") ⁽³⁾⁽¹¹⁾	Mainland China	RMB1,585,700,000	100%	–	Construction and management of road operation
恩施粤海水務有限公司 (Enshi Guangdong Water Co., Ltd. ▲) ⁽¹⁾	Mainland China	RMB210,000,000	–	74%	Water distribution operation
豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd. ▲) ("Fengshun Water Co") ⁽¹⁾	Mainland China	RMB231,700,000	–	70%	Water distribution operation
Fill Success Investments Limited	Hong Kong	HK\$2 ordinary HK\$2 non-voting deferred	–	100%	Hotel ownership
高郵粵海水務有限公司 (Gaoyou GDH Water Co., Ltd. ▲) ⁽²⁾⁽⁴⁾	Mainland China	RMB91,400,000	–	60%	Water distribution operation
高州粵海水務有限公司 (Gaozhou Guangdong Water Co., Ltd. ▲) ⁽¹⁾	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
粵海酒店管理(珠海)有限公司 (Guangdong Hotel Management (Zhu Hai) Co., Ltd. ▲) ⁽⁴⁾	Mainland China	RMB133,000,000	–	100%	Hotel ownership and operation
珠海粵海酒店 (Guangdong Hotel (Zhu Hai) ▲) ⁽³⁾	Mainland China	US\$9,990,000	–	100%	Hotel ownership and operation
Guangdong (International) Hotel Management Holdings Limited	Hong Kong	HK\$10,000,000	100%	–	Hotel management

Notes to Financial Statements

1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2022 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	
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 ("Nan Fang") ⁽²²⁾	British Virgin Islands/ Mainland China	US\$10,001	100%	–	Property investment
Guangdong Power (International) Limited	British Virgin Islands/ Hong Kong	US\$8,690,750	51%	–	Property investment
Guangdong Properties Holdings Limited ⁽¹⁵⁾	Hong Kong	HK\$118,409,802	100%	–	Investment holding
廣東粵海韶投水務有限責任公司 (Guangdong Shaotou Water Co., Ltd.) ⁽⁴⁾	Mainland China	RMB362,050,900	–	51%	Water distribution operation
廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited) ⁽¹⁾	Mainland China	RMB840,000,000	11.51%	64.62%	Property investment and investment holding
廣東粵海天河城商業有限公司 (GDH Teem Commercial Co., Ltd.) ⁽⁴⁾	Mainland China	RMB50,000,000	–	85.20%	Department store operation
Guangdong Water Holdings Limited ("Water Holdings") ⁽⁹⁾	Hong Kong	HK\$5,727,226,631	100%	–	Investment holding
廣東粵海水務投資有限公司 (Guangdong Water Investment Co., Ltd.) ⁽⁴⁾	Mainland China	RMB2,000,000,000	–	100%	Investment holding
Guangdong Yue Gang Water Supply Company Limited ("WaterCo") ⁽²⁾⁽¹⁵⁾	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⁾⁽¹²⁾	Mainland China	RMB308,000,000	–	73.82%	Property development and investment
廣西粵海高速公路有限公司 (Guangxi GDH Highway Co., Ltd.) ⁽⁴⁾ ("GDH Highway") ⁽⁴⁾	Mainland China	RMB818,000,000	–	100%	Toll road operation

Notes to Financial Statements

1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2022 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 Co., Ltd. ▲) ⁽¹⁾	Mainland China	RMB140,124,100	–	76.2%	Water distribution and sewage treatment operation
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd. ▲) ⁽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 Co., Ltd. ▲) ("Jiangxi Guangdong") ⁽⁴⁾⁽¹⁴⁾	Mainland China	RMB296,666,700	–	79%	Water distribution, sewage treatment operation and related construction services in the PRC
揭陽粵海國業水務有限公司 (Jieyang Guangdong Guoye Water Co., Ltd. ▲) (formerly known as 揭陽粵海四航國業水務有限公司 (Jieyang Guangdong Sihang Guoye Water Co., Ltd. ▲)) ("Jieyang Guoye") ⁽⁴⁾⁽¹⁰⁾⁽¹⁶⁾	Mainland China	RMB108,550,000	–	51%	Water distribution operation
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 Guangdong 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 Co., Ltd. ▲) ⁽¹⁾	Mainland China	RMB38,712,567	–	90%	Water distribution operation
六盤水粵海環保有限公司 (Liupanshui Guangdong Huanbao Co., Ltd. ▲) ⁽⁴⁾	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⁾	Mainland China	RMB326,666,700	–	70%	Water distribution and sewage treatment operation
平遠粵海水務有限公司 (Pingyuan Guangdong Water Co., Ltd. ▲) ⁽⁴⁾⁽⁸⁾	Mainland China	RMB45,000,000	–	80%	Water distribution operation



Notes to Financial Statements

1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2022 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	
邳州粵海環保有限公司 (Pizhou Guangdong Huanbao Co., Ltd.▲) ⁽⁴⁾⁽⁸⁾	Mainland China	RMB199,148,900	–	92%	Sewage treatment operation
邳州粵海水務有限公司 (Pizhou Guangdong Water Co., Ltd.▲) ⁽⁴⁾	Mainland China	RMB510,827,700	–	74.47%	Water distribution operation
普寧粵海水務有限公司 Puning Guangdong Water Co., Ltd.▲ ⁽⁴⁾⁽¹⁰⁾	Mainland China	RMB883,199,607	–	51%	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 Guangdong Huanbao Co., Ltd.▲) ⁽¹⁾	Mainland China	RMB75,000,000	–	80%	Sewage treatment operation
汕尾粵海供水有限公司 (Shanwei Guangdong Water Supply Co., Ltd.▲) ⁽⁴⁾⁽¹⁰⁾⁽¹⁷⁾	Mainland China	RMB256,838,300	–	99.62%	Water distribution operation
韶關粵海綠源環保有限公司 (Shaoguan Guangdong Luyuan Huanbao Co., Ltd.▲) ⁽¹⁾	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責任公司 (Shenzhen Hairun Shuiye Company Limited▲) ⁽³⁾	Mainland China	RMB2,000,000,000	–	100%	Investment holding
廣州粵海動漫星城有限公司 (Guangzhou Yuehai Comic City Co., Ltd.▲) ⁽⁴⁾⁽⁷⁾	Mainland China	RMB50,000,000	–	64.71%	Marketing management and property investment
深圳粵海天河城購物中心有限公司 (Shenzhen GDH Teem Shopping Center Co., Ltd.▲) ⁽⁴⁾	Mainland China	RMB10,000,000	–	76.13%	Property investment

Notes to Financial Statements

1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2022 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	
遂溪粵海水務有限公司 (Suixi Guangdong Water Co., Ltd. ▲) ("Suixi Water Co") ⁽¹⁾	Mainland China	RMB60,000,000	-	70%	Water distribution and sewage treatment operation
天津粵海天河城購物中心有限公司 (Tianjin YueHai 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 (Tianjin Yuehai Teemall Department Stores Ltd. ▲) ⁽⁴⁾	Mainland China	RMB10,000,000	-	85.20%	Department store operation
五華粵海環保有限公司 (Wuhua Guangdong Huanbao Co., Ltd. ▲) ⁽³⁾	Mainland China	RMB95,000,000	-	100%	Sewage treatment operation
梧州粵海環保發展有限公司 (Wuzhou GDH Environmental Protection Development Co., Ltd. ▲) ⁽¹⁾	Mainland China	RMB46,000,000	-	86.96%	Sewage treatment operation
梧州粵海江河水務有限公司 (Wuzhou Guangdong Jianghe Water Co., Ltd. ▲) ⁽²⁾⁽⁴⁾	Mainland China	RMB110,000,000	-	51%	Water distribution operation
興寧粵海環保有限公司 (Guangdong 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 Co., Ltd. ▲) ⁽¹⁾	Mainland China	RMB97,000,400	-	63.07%	Water distribution operation
陽江粵海環保有限公司 (Yangjiang Guangdong Huanbao Co., Ltd. ▲) ⁽¹⁾	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
儀征粵海水務有限公司 (Yizheng Yuehai Water Supply Co., Ltd. ▲) ⁽²⁾⁽⁴⁾	Mainland China	RMB141,400,000	-	60%	Water distribution operation

Notes to Financial Statements

1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2022 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	
Yue Sheng Finance Limited ⁽²¹⁾	Hong Kong	HK\$170,000,002	100%	–	Finance
雲浮粵海水務有限公司 (Yunfu Guangdong Water Co., Ltd. ▲) ⁽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 Co., Ltd. ▲) ⁽⁴⁾	Mainland China	RMB900,000,000	–	65%	Water distribution operation
肇慶高新區粵海水務有限公司 (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 (Zhongshan GDH Energy Co., Ltd. ▲) ("GDH Energy") ⁽²⁾	Mainland China	RMB1,114,688,900	–	71.25%	Generation and sale of electricity and steam
中山粵海置地有限公司 (Zhongshan Yuehai Land Co., Ltd. ▲) ⁽⁴⁾⁽¹⁰⁾	Mainland China	RMB1,470,000,000	–	72.08%	Property development
粵海科技(深圳)有限公司 (Yuehai Technology (Shenzhen) Co., Ltd. ▲) ⁽³⁾	Mainland China	US\$50,000,000	–	73.82%	Property investment
廣東粵海置地集團有限公司 (Guangdong Yuehai Land Holdings Limited ▲) ⁽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 (GDH Teem Department Store Limited ▲) ⁽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 (Guangzhou Panyu Yuehai Real Estate Company Limited ▲) ⁽²⁾	Mainland China	RMB187,300,000	–	59.06%	Property development
廣東粵海投資財務管理有限公司 (Guangdong Yuehai Investment Financial Management Co., Limited ▲) ⁽³⁾	Mainland China	RMB10,000,000	100%	–	Finance

Notes to Financial Statements

1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2022 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	
吳川粵海環保有限公司 (WuChuan Guangdong Huanbao Co., Ltd. ▲) ⁽¹⁾	Mainland China	RMB178,891,800	-	98.8%	Sewage treatment operation
南昌縣贛渤水務有限公司 (Nanchang Ganbo Guangdong Co., Ltd. ▲) ⁽⁴⁾⁽⁸⁾⁽¹⁸⁾	Mainland China	RMB150,005,900	-	70%	Water distribution operation
南昌縣供水有限責任公司 (Nanchang Water Supply Company Limited ▲) ⁽⁴⁾	Mainland China	RMB83,000,000	-	100%	Water distribution operation
豐城市供水有限責任公司 (Fengcheng Water Supply Company Limited ▲) ⁽⁴⁾	Mainland China	RMB77,000,000	-	100%	Water distribution operation
豐城市劍邑供水有限責任公司 (Fengcheng Jianyi Water Supply Company Limited ▲) ⁽⁴⁾	Mainland China	RMB92,624,900	-	77.49%	Water distribution operation
餘干縣供水有限責任公司 (Yugan Water Supply Company Limited ▲) ⁽⁴⁾	Mainland China	RMB32,000,000	-	100%	Water distribution operation
來安縣粵海供水有限責任公司 (Laian Guangdong Water Supply Company Limited ▲) ⁽⁴⁾	Mainland China	RMB50,000,000	-	100%	Water distribution operation
浙江博華環境技術工程有限公司 (Zhejiang Bohua Huanjing Technology Engineering Company Limited ▲) ⁽⁴⁾	Mainland China	RMB100,000,000	-	100%	Water supply construction work operation
江西聯禾建設工程有限公司 (Jiangxi Lianhe Construction Engineering Company Limited ▲) ⁽⁴⁾	Mainland China	RMB40,000,000	-	100%	Water supply construction work operation
江門市粵海置地房地產投資有限公司 (Jiangmen Yuehai Land Real Estate Investment Co., Ltd. ▲) ⁽⁴⁾	Mainland China	RMB530,000,000	-	73.82%	Property development

Notes to Financial Statements

1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2022 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	
江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd.) ⁽⁴⁾	Mainland China	RMB1,260,000,000	-	37.65%	Property development
昆明粵海水務有限公司 (Kunming Guangdong Water Co., Ltd.) ⁽⁴⁾	Mainland China	RMB105,525,500	-	70.28%	Water distribution and sewage treatment operation
河北粵海水務集團有限公司 (Hebei Guangdong Water Group Co., Ltd.) ⁽⁴⁾⁽⁸⁾⁽²⁰⁾	Mainland China	RMB362,050,900	-	53%	Environmental engineering
惠來粵海綠源環保有限公司 (Huilai Guangdong Luyuan Huanbao Co., Ltd.) ⁽⁴⁾	Mainland China	RMB67,835,200	-	69.9%	Sewage treatment operation
惠來粵海清源環保有限公司 (Huilai Guangdong Qingyuan Huanbao Co., Ltd.) ⁽⁴⁾	Mainland China	RMB99,808,700	-	69.9%	Sewage treatment operation
五華粵海碧源環保有限公司 (Wuhua Guangdong Biyuan Huanbao Co., Ltd.) ⁽⁴⁾	Mainland China	RMB64,103,300	-	98.8%	Sewage treatment operation
高州市高粵市政工程有限公司 (Gaozhoushi Gaoyue Shizheng Engineering Company Limited) ⁽⁴⁾	Mainland China	RMB10,000,000	-	51%	Water supply construction work operation
汕尾粵海清源環保有限公司 (Shanwei Guangdong Qingyuan Huanbao Co., Ltd.) ⁽⁴⁾	Mainland China	RMB482,274,000	-	95%	Sewage treatment operation
珠海粵海置地有限公司 (Zhuhai Yuehai Land Co., Ltd.) ⁽⁴⁾⁽¹³⁾	Mainland China	RMB930,000,000	-	73.82%	Property development
佛山粵海置地有限公司 (Foshan Yuehai Land Co., Ltd.) ⁽⁴⁾	Mainland China	RMB1,000,000,000	-	73.82%	Property development
惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co. Ltd.) ⁽⁴⁾	Mainland China	RMB132,010,581	-	73.82%	Property development and investment

Notes to Financial Statements

1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2022 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	
哈爾濱粵海水務科技有限公司 (Harbin Guangdong Water Technology Co., Ltd. ▲) ⁽⁴⁾	Mainland China	RMB80,000,000	–	75%	Water technology development and consultation service
河源市粵海水務有限公司 (Heyuan City Guangdong Water Co., Ltd. ▲) ⁽⁴⁾⁽⁷⁾	Mainland China	RMB200,000,000	–	100%	Water distribution operation
河源市粵海市政工程有限公司 (Heyuan City Yuehai Municipal Engineering Co., Ltd. ▲) ⁽⁴⁾⁽⁷⁾	Mainland China	RMB10,000,000	–	100%	Water supply construction work operation and sales of equipment
河源市東江水務有限公司 (Heyuan City Dongjiang Water Co., Ltd. ▲) ⁽⁴⁾⁽⁷⁾	Mainland China	RMB25,000,000	–	100%	Water distribution operation
東源縣粵海自來水有限公司 (Dongyuan Yuehai Tap Water Co., Ltd. ▲) ⁽⁴⁾⁽⁷⁾	Mainland China	RMB50,000,000	–	100%	Water distribution operation
雲浮市粵海環保有限公司 (Yunfu City Guangdong Huanbao Huanbao Co., Ltd. ▲) ⁽⁴⁾ (name subsequently changed to 雲浮市粵海水務發展有限公司 (Yunfu City Guangdong Water Development Co., Ltd. ▲))	Mainland China	RMB115,000,000	–	80%	Sewage treatment operation
雲浮市粵海水務自來水有限公司 (Yunfu City Guangdong Water Supply Co., Ltd. ▲) ⁽⁴⁾ (formerly known as 雲浮市自來水有限公司 (Yunfu City Water Supply Co., Ltd. ▲))	Mainland China	RMB108,000,000	–	80%	Water distribution operation
雲浮市雲安粵海城鄉供水有限公司 (Yunfu City Yunan Guangdong Water Supply Co., Ltd. ▲) ⁽⁴⁾⁽¹⁰⁾	Mainland China	RMB54,583,130	–	62.9%	Water distribution operation

Notes to Financial Statements

1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2022 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	
湘陰粵海水務有限公司 (Xiangyin Guangdong Water Co., Ltd.) ⁽⁴⁾⁽¹⁹⁾	Mainland China	RMB175,317,500	-	72%	Water distribution operation
無錫德寶水務投資有限公司 (Wuxi Debao Water Investment Co., Ltd.) ⁽⁴⁾⁽⁷⁾	Mainland China	RMB50,000,000	-	75%	Sewage treatment operation
無錫德碩水務有限公司 (Wuxi Deshuo Water Co., Ltd.) ⁽⁴⁾⁽⁷⁾	Mainland China	RMB10,000,000	-	75%	Sewage treatment operation
無錫德錫水務投資有限公司 (Wuxi Dexi Water Investment Co., Ltd.) ⁽⁴⁾⁽⁷⁾	Mainland China	RMB10,000,000	-	75%	Sewage treatment operation

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 in 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 the remaining WaterCo's distributable profits would 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) These subsidiaries were acquired by the Group during the year ended 31 December 2022, further details of which are set out in note 34 and 35 to these financial statements.
- (8) This subsidiary was acquired by the Group during the year ended 31 December 2021, further details of which are set out in note 34 to these financial statements.
- (9) During the year ended 31 December 2022, the Group contributed HK\$789,429,247 on 23 November 2022 and HK\$3,637,797,384 on 31 December 2022 respectively to Water Holdings as paid-up capital.

Notes to Financial Statements

1 Corporate and group information *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2022 are as follows: *(continued)*

Notes: (continued)

- (10) These subsidiaries were established by the Group during the year ended 31 December 2021.
 - (11) During the year ended 31 December 2022, the Group contributed RMB100,000,000 (2021: RMB339,134,603) to Dongguan Yuehai Yinping as paid-up capital. RMB24,956,110 will be contributed by the Group by instalments.
 - (12) The shares of Guangdong Yuehai Property Development Co., Ltd. were pledged to secure certain bank borrowings (note 28).
 - (13) The shares of Zhuhai Yuehai Properties Company Limited were pledged to secure certain bank borrowings (note 28).
 - (14) 79% equity interest in Jiangxi Guangdong with an investment cost of HK\$1,821,281,000 (2021: HK\$1,989,824,000) was pledged to secure a bank loan (note 28).
 - (15) During the year ended 31 December 2021, the Group contributed HK\$80,000,000 to Guangdong Properties Holdings Limited as paid-up capital.
 - (16) During the year ended 31 December 2021, the Group contributed RMB55,360,000 to Jieyang Guoye as paid-up capital.
 - (17) During the year ended 31 December 2021, the Group contributed RMB255,862,000 to Shanwei Guangdong Water Supply Co., Ltd. as paid-up capital.
 - (18) During the year ended 31 December 2021, the Group contributed RMB105,004,000 to Nanchang Ganbo Guangdong Co., Ltd. as paid-up capital.
 - (19) During the year ended 31 December 2021, the Group contributed RMB126,229,000 to Xiangyin Guangdong Water Co., Ltd. as paid-up capital.
 - (20) During the year ended 31 December 2021, the Group contributed RMB132,500,000 to Hebei Guangdong Water Co., Ltd. as paid-up capital.
 - (21) During the year ended 31 December 2021, the Group contributed RMB170,000,000 to Yue Sheng Finance Limited as paid-up capital.
 - (22) During the year ended 31 December 2021, Nan Fang allotted and issued one ordinary share.
- ▲ 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.

Notes to Financial Statements

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, investment properties under development and equity investments designated at fair value through other comprehensive income 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 2022. 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 equity holders of subsidiaries 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.



Notes to Financial Statements

2.2 Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.



Notes to Financial Statements

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 17, <i>Insurance contracts</i>	1 January 2023
Amendments to HKAS 1, <i>Presentation of financial statements</i> and HKFRS Practice Statement 2, <i>Making materiality judgements: Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023
Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants</i>	1 January 2024
Amendments to HKFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated 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.

Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Investments in associates (continued)

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*.

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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

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.

Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Fair value measurement

The Group measures its completed investment properties, investment properties under development and equity investments designated at fair value through other comprehensive income 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

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.

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);

Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Related parties (continued)

- (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);
- (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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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 end of the reporting period, or by management estimates of anticipated sale proceeds based on prevailing market conditions.

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.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

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 is stated at cost less any impairment losses, and is 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 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.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Investment properties (continued)

For a transfer from investment properties to owner-occupied properties or inventories, 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 "Leases" 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". For a transfer from completed properties held for sale or inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

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 completed, 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

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
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Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

(a) Right-of-use assets (continued)

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".

(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 lease. 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.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Leases (continued)

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. 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 recognition exemption described in the accounting policy stated under "The Group as a lessee", the Group classifies the sublease as an operating lease.

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".



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Service concession arrangements (continued)

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.

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.

Purchased trademark, licence and contract rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 to 20 years.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

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. Financial 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.

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.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

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

Upon initial recognition, the Group can elect to classify irrevocably its equity investments 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 through 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.

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.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

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.

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



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

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 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.

Financial liabilities

Initial recognition and measurement

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

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.

Subsequent measurement

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

Financial liabilities at amortised cost

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.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Financial liabilities (continued)

Put option on non-controlling interests in a subsidiary

The Group has put option agreements to acquire the remaining equity interests held by the non-controlling equity holders of subsidiaries. When the Group has not acquired a present ownership over the equity interest under the put option, the non-controlling equity holders of subsidiaries 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 a 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.

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.

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.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

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.

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, 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, and 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, 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 based on the expected manner of the realisation and settlement of the carrying amount of the assets and liabilities, with 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.

Notes to Financial Statements

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, for 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 with 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.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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.

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 the adjusted market assessment approach, depending on the availability of observable information.

- (i) 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.
- (ii) 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 generally when the control of the water is transferred to the customers, adjusted based on the water price deduction mechanism where annual basic water price would be deducted basing on the quantity of water supplied to Hong Kong which is conserved in a particular year using a unit rate specified in the contracts; and with respect to the water distribution to the Mainland China, revenue is recognised at the point in time when the control of the water is transferred to the customers which generally coincides with delivery of the water sold.

Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

- (iii) 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 the services rendered by the Group.
- (iv) 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.
- (v) Income from sale of goods, machineries, electricity and steam
Revenue is recognised at the point in time when the control of the assets is transferred to the customers which generally coincides with delivery and acceptance of the assets sold.
- (vi) 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 coincides with delivery and acceptance of the assets sold.
- (vii) Income from toll road and bridge operation
Revenue is recognised over the period upon the passage of vehicles through the expressway.
- (viii) 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 the services rendered by the Group.
- (ix) Income from property management, hotel management, road and bridge management, maintenance 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 the 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.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

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).

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 transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Other employee benefits

Retirement benefit schemes

Defined contribution plan

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.

Defined benefit plan

The Group operates defined benefit pension plans which require contributions to be made to a separately administered fund. The benefits are unfunded. The costs of providing benefits under the defined benefit plans are determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

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.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

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.

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.



Notes to Financial Statements

2.4 Summary of significant accounting policies (continued)

Foreign currencies (continued)

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) *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.

(ii) *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.



Notes to Financial Statements

3 Significant accounting judgements and estimates (continued)

Judgements (continued)

(iii) 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.

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;
- (d) residual approach, which is estimated by reference to its development potential by deducting development costs together with developer's profit and risk margins from the estimated capital value of the proposed development assuming completed as at the date of valuation; and
- (e) 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 cash flow profile.

The carrying amount of investment properties at fair value as at 31 December 2022 was HK\$25,073,134,000 (2021: HK\$23,807,224,000).

Notes to Financial Statements

3 Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

(ii) 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.

(iii) 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.

(iv) 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 2022 was HK\$241,857,000 (2021: HK\$140,422,000). The amount of unrecognised tax losses as at 31 December 2022 was HK\$1,019,950,000 (2021: HK\$1,314,818,000). Further details are set out in note 30 to the financial statements.



Notes to Financial Statements

3 Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

(v) *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.

(vi) *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 expected selling prices of the properties based on comparable market 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 2022 were HK\$29,909,189,000 (2021: HK\$33,852,306,000) and HK\$5,513,094,000 (2021: HK\$987,625,000) 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, construction of water supply and sewage treatment infrastructure, water pipeline installation and consultancy services and sale of machineries 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, and management and sub-letting of operating area, in Mainland China;
- (iv) The electric power generation segment operates coal-fired power plants supplying electricity and steam in the Guangdong Province, Mainland China;

Notes to Financial Statements

4 Operating segment information *(continued)*

- (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, dividends received from equity investments designated at fair value through other comprehensive income, net gain on disposal of subsidiaries, loss on deemed disposal of an associate, loss on disposal of an associate, finance costs (other than interest on lease liabilities) and share of profits less losses of associates are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, cash and bank balances, restricted bank balances, equity investments designated at fair value through other comprehensive income and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, tax payable, deferred tax liabilities and other unallocated liabilities as these liabilities are managed on a group basis.

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



Notes to Financial Statements

4 Operating segment information (continued)

(a) Operating segments

	Water resources		Property investment and development		Department store operation		Electric power generation		Hotel operation and management	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment revenue										
Revenue from external customers	16,949,113	17,805,801	2,870,880	7,878,330	798,860	636,688	1,529,210	1,605,205	386,660	398,033
Intersegment sales	-	-	94,866	98,086	-	-	361,423	292,073	-	-
Other income and gains from external sources	50,805	46,995	7,846	10,004	17,434	20,205	43,385	61,416	92	501
Other income from intersegment transactions	-	-	-	-	-	-	-	-	-	-
Total	16,999,918	17,852,796	2,973,592	7,986,420	816,294	656,893	1,934,018	1,958,694	386,752	398,534
Segment results	5,634,624	4,851,684	2,150,806	3,611,902	33,797	77,890	(54,339)	(193,222)	(56,454)	(31,389)
Bank interest income										
Dividends received from equity investments designated at fair value through other comprehensive income	-	2	-	-	-	-	-	-	-	-
Net gain on disposal of subsidiaries	27,893	-	-	-	-	-	-	-	-	-
Loss on deemed disposal of an associate	-	(3,064)	-	-	-	-	-	-	-	-
Loss on disposal of an associate	(4,602)	-	-	-	-	-	-	-	-	-
Finance costs										
Share of profits less losses of associates	166,422	151,007	-	-	(16,213)	(30,936)	(105,694)	(159,581)	-	-
Profit before tax										
Income tax expense										
Profit for the year										

Notes to Financial Statements

4 Operating segment information (continued)

(a) Operating segments (continued)

	Road and bridge		Others		Eliminations		Consolidated	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment revenue								
Revenue from external customers	661,515	1,391,435	-	-	-	-	23,196,238	29,715,492
Intersegment sales	-	-	21,664	15,539	(477,953)	(405,698)	-	-
Other income and gains from external sources	119,775	139,084	-	36	-	-	239,337	278,241
Other income from intersegment transactions	-	-	6,295	11,977	(6,295)	(11,977)	-	-
Total	781,290	1,530,519	27,959	27,552	(484,248)	(417,675)	23,435,575	29,993,733
Segment results	440,499	545,359	(305,823)	(37,239)	16,865	(22,442)	7,859,975	8,802,543
Bank interest income							144,027	213,753
Dividends received from equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	2
Net gain on disposal of subsidiaries	-	-	-	-	-	-	27,893	-
Loss on deemed disposal of an associate	-	-	-	-	-	-	-	(3,064)
Loss on disposal of an associate	-	-	-	-	-	-	(4,602)	-
Finance costs	-	-	-	-	-	-	(828,270)	(516,880)
Share of profits less losses of associates	-	-	-	-	-	-	44,515	(39,510)
Profit before tax							7,243,538	8,456,844
Income tax expense							(1,719,345)	(2,969,258)
Profit for the year							5,524,193	5,487,586

Notes to Financial Statements

4 Operating segment information (continued)

(a) Operating segments (continued)

	Water resources		Property investment and development		Department store operation		Electric power generation		Hotel operation and management	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment assets	48,622,369	45,082,783	62,740,301	60,625,635	1,156,597	1,583,758	2,926,730	3,433,842	2,210,789	2,257,931
Unallocated assets										
Total assets										
Segment liabilities	10,991,013	10,939,312	10,899,101	14,559,955	1,560,953	2,203,460	427,816	703,569	217,555	212,663
Unallocated liabilities										
Total liabilities										
Other segment information:										
Investments in associates	3,136,029	3,286,170	-	-	124,493	153,020	770,858	951,438	-	-
Depreciation and amortisation	1,429,576	1,275,973	74,490	67,407	74,101	62,533	132,566	128,432	123,799	130,360
Exchange differences, net	14,144	120,133	(267,306)	94,743	42,193	(14,214)	(39,459)	16,290	1,999	(4,662)
Impairment/(reversal), of impairment losses for trade receivables, net	(12,813)	(1,887)	3,771	-	164	13	-	-	-	-
Impairment on operating concession rights	-	2,492	-	-	-	-	-	-	-	-
Changes in fair value of investment properties	-	361	(925,645)	(653,773)	(12,806)	26,163	-	-	900	(13,197)
Loss/(gain) on disposal of property, plant and equipment, net	(1,953)	2,395	78	(188)	129	43	-	14	152	41
Capital expenditure*	4,266,881	7,395,715	2,256,824	1,025,149	70,445	638,582	11,179	23,705	123,505	204,533

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

Notes to Financial Statements

4 Operating segment information (continued)

(a) Operating segments (continued)

	Road and bridge		Others		Eliminations		Consolidated	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment assets	5,395,507	6,215,021	37,989	31,777	(744,399)	(698,554)	122,345,883	118,532,193
Unallocated assets							11,168,737	11,498,630
Total assets							133,514,620	130,030,823
Segment liabilities	393,828	744,346	159,207	164,090	(241,331)	(339,791)	24,408,142	29,187,604
Unallocated liabilities							50,597,161	38,938,342
Total liabilities							75,005,303	68,125,946
Other segment information:								
Investments in associates	-	-	-	-	-	-	4,031,380	4,390,628
Depreciation and amortisation	226,986	221,464	3,618	3,271	-	-	2,065,136	1,889,440
Exchange differences, net	24,969	(23,061)	176,271	(101,353)	(839)	(2,431)	(48,028)	85,445
Impairment/(reversal), of impairment losses for trade receivables, net	-	-	-	-	-	-	(8,878)	(1,874)
Impairment on operating concession rights	-	-	-	-	-	-	-	2,492
Changes in fair value of investment properties	-	-	539	(181)	-	-	(937,012)	(640,627)
Loss/(gain) on disposal of property, plant and equipment, net	33	20	-	-	-	-	(1,561)	2,325
Capital expenditure*	9,237	714,426	1,635	4,574	(3,958)	(15,666)	6,735,748	9,991,018

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



Notes to Financial Statements

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 2022 and 2021.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from external customers		
Hong Kong	196,775	160,857
Mainland China	22,999,463	29,554,635
	23,196,238	29,715,492

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets		
Hong Kong	2,310,502	2,370,498
Mainland China	77,646,495	75,241,286
	79,956,997	77,611,784

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

(c) Information about a major customer

Revenue of HK\$4,947,376,000 (2021: HK\$4,821,410,000) 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.

Notes to Financial Statements

5 Revenue, and other income and gains, net

Revenue

(i) *Disaggregated revenue information*

	2022 HK\$'000	2021 HK\$'000
(a) Types of goods or services:		
Water resources segment		
Income from water distribution – Hong Kong	4,947,376	4,821,410
Income from water distribution – Mainland China	3,718,429	3,439,961
Income from sewage treatment services	855,874	569,822
Income from construction services	4,712,693	6,790,344
Income from water pipeline installation and consultancy services	1,513,197	1,225,434
Sale of machineries	460,145	365,879
Property investment and development segment		
Sale of properties	1,359,405	6,338,484
Management fee income	194,386	172,575
Department store operation segment		
Commission income from concessionaire sales	387,899	480,997
Sale of goods	345,990	87,477
Management fee income	11,241	9,952
Electric power generation segment		
Sale of electricity and steam	1,529,210	1,605,205
Hotel operation and management segment		
Hotel income	343,463	343,934
Management fee income	12,493	15,623
Road and bridge segment		
Toll revenue	647,855	659,081
Income from construction services	–	710,453
Management and maintenance fee income	13,660	21,901
<i>Revenue from contracts with customers</i>	21,053,316	27,658,532
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	741,399	592,951
Rental income	1,401,523	1,464,009
Total revenue	23,196,238	29,715,492

Notes to Financial Statements

5 Revenue, and other income and gains, net (continued)

Revenue (continued)

(i) Disaggregated revenue information (continued)

	2022 HK\$'000	2021 HK\$'000
(b) Geographical locations*:		
Mainland China		
Water resources segment	16,207,714	17,212,850
Property investment and development segment	1,553,791	6,511,059
Department store operation segment	745,130	578,426
Electric power generation segment	1,529,210	1,605,205
Hotel operation and management segment	223,220	265,206
Road and bridge segment	661,515	1,391,435
	20,920,580	27,564,181
Hong Kong		
Hotel operation and management segment	132,736	94,351
<i>Revenue from contracts with customers</i>	21,053,316	27,658,532
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	741,399	592,951
Rental income	1,401,523	1,464,009
	23,196,238	29,715,492

* 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 upon the supply of water to customers in accordance with the water price deduction mechanism and contract terms and payment is generally due within 30 days from the date of billing.

With respect to the water distribution to the Mainland China, 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.

Notes to Financial Statements

5 Revenue, and other income and gains, net *(continued)*

Revenue *(continued)*

(ii) Performance obligations (continued)

Construction services under water resources segment

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 expressways. The payment is generally due upon the passage.

Construction services under toll and bridge segment

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

Management and maintenance 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.

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 when 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.



Notes to Financial Statements

5 Revenue, and other income and gains, net (continued)

Revenue (continued)

(ii) Performance obligations (continued)

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 2022 are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Expected to be recognised within one year	11,490,813	11,633,095
Expected to be recognised after one year	37,339,002	41,348,464
	48,829,815	52,981,559

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, net

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	144,027	213,753
Interest income from receivables under a cooperative arrangement	114,913	135,752
Others	147,715	139,427
	406,655	488,932

Notes to Financial Statements

6 Profit before tax

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

	Notes	2022 HK\$'000	2021 HK\$'000
Cost of inventories sold*		2,174,816	1,992,367
Cost of services rendered*		8,975,974	11,462,308
Cost of properties sold*		901,930	3,373,040
Depreciation of property, plant and equipment	13	651,580	559,356
Depreciation of right-of-use assets	15(a)	75,714	77,531
Amortisation of operating concession rights*	19(a)	1,320,355	1,249,981
Amortisation of other intangible assets	17	17,487	2,572
Reversal of impairment losses for trade receivables, net [^]	24	(8,878)	(1,874)
Impairment of operating concession rights [^]	19(a)	–	2,492
Auditor's remuneration		8,650	11,480
Employee benefit expenses:			
Wages and salaries (excluding directors' fee)		2,237,540	2,022,690
Pension scheme contributions:			
– defined contribution plans		272,794	266,690
– defined benefit plans		3,434	4,954
Less: Forfeited contributions		(51)	(196)
Net pension scheme contributions [#]		276,177	271,448
Less: Amount capitalised		(228,160)	(239,098)
		2,285,557	2,055,040
Gross rental income from investment properties		(1,245,542)	(1,391,493)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		146,129	152,523
Net rental income from investment properties		(1,099,413)	(1,238,970)
Lease payments not included in the measurement of lease liabilities	15(c)	10,971	14,747
Gain on lease modification [^]	15(c)	(78,553)	–
(Gain)/loss on disposal of property, plant and equipment, net [^]		(1,561)	2,325
Gain on disposal of an investment property [^]		(102,519)	–
Gain on disposal of the operating concession rights, net [^]		(61,101)	–
Net gain on disposal of subsidiaries		(27,893)	–
Loss on disposal of an associate		4,602	–
Loss on deemed disposal of an associate		–	3,064
Government subsidies ^{**^}		(67,186)	(56,775)

* 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 2022 and 2021, the Group had no material forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years.

[^] Included in "Other operating income, net" on the face of the consolidated statement of profit or loss.

Notes to Financial Statements

7 Finance costs

An analysis of finance costs is as follows:

	2022 HK\$'000	2021 HK\$'000
Interest on bank and other borrowings	902,796	626,044
Interest on loans from the ultimate holding company (note 40(a)(iv))	193,659	93,852
Interest on loans from fellow subsidiaries (note 40(a)(v))	369,128	99,197
Interest on loans from associates (note 40(a)(v))	702	–
Interest on lease liabilities (note 15(b))	32,183	26,973
Interest related to defined benefit obligations (note 42)	3,937	4,592
Finance costs incurred	1,502,405	850,658
Less: Interest capitalised	(641,952)	(306,940)
Finance costs charged for the year	860,453	543,718

The capitalised interest rates applied to funds borrowed and used for the development of properties held for sale, investment properties under development and operating concession rights are between 2.05% and 6.65% per annum (2021: between 1.21% and 6.50% 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:

	2022 HK\$'000	2021 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	3,252	3,619
Non-executive directors	–	–
	3,252	3,619
Other emoluments:		
Salaries, allowances and benefits in kind	7,370	7,039
Performance related bonuses	2,788	1,745
Pension scheme contributions	1,564	1,435
Less: Forfeited contributions	–	–
Net pension scheme contributions	1,564	1,435
Total directors' remuneration	14,974	13,838

Notes to Financial Statements

8 Directors' remuneration (continued)

(a) Independent non-executive directors

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

	2022 HK\$'000	2021 HK\$'000
CHAN Cho Chak, John	749	749
FUNG Daniel Richard	700	700
CHENG Mo Chi, Moses	700	700
LI Man Bun, Brian David [#]	733	535
WU Ting Yuk, Anthony [^]	370	770
LI Kwok Po, David [*]	-	165
	3,252	3,619

[^] Resigned as Independent Non-Executive Director of the Company on 23 June 2022.

[#] Appointed as the Chairman of the Audit Committee of the Company on 12 July 2022.

^{*} Resigned as Independent Non-Executive Director of the Company on 27 March 2021.

There were no other emoluments paid to the independent non-executive directors during the year (2021: Nil).

(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
2022					
Executive directors:					
HOU Wailin	-	-	-	-	-
LIN Tiejun	-	2,424	831	612	3,867
WEN Yinheng	-	2,237	795	590	3,622
TSANG Hon Nam	-	1,467	821	60	2,348
LIANG Yuanjuan	-	1,242	341	302	1,885
	-	7,370	2,788	1,564	11,722
Non-executive directors:					
CAI Yong	-	-	-	-	-
LAN Runing	-	-	-	-	-
FENG Qingchun	-	-	-	-	-
	-	7,370	2,788	1,564	11,722

Notes to Financial Statements

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
2021					
Executive directors:					
HOU Wailin	-	-	-	-	-
LIN Tiejun	-	2,412	492	578	3,482
WEN Yinheng	-	2,227	585	569	3,381
TSANG Hon Nam	-	1,458	668	60	2,186
LIANG Yuanjuan	-	942	-	228	1,170
	-	7,039	1,745	1,435	10,219
Non-executive directors:					
CAI Yong	-	-	-	-	-
LAN Runing	-	-	-	-	-
FENG Qingchun	-	-	-	-	-
	-	7,039	1,745	1,435	10,219

9 Five highest paid employees

The five highest paid employees during the year included two (2021: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the other three (2021: three) highest paid employees who are not directors of the Company are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries, allowances and benefits in kind	5,247	4,586
Performance related bonuses	4,954	6,378
Pension scheme contributions	540	169
	10,741	11,133

Notes to Financial Statements

9 Five highest paid employees (continued)

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
HK\$3,000,001 – HK\$3,500,000	1	2
HK\$3,500,001 – HK\$4,000,000	2	–
HK\$4,000,001 – HK\$4,500,000	–	–
HK\$4,500,001 – HK\$5,000,000	–	1
	3	3

10 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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, enterprises are subject to corporate income tax at a rate of 25%. 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	10,736	9,549
(Over)/under-provision in prior years	(238)	13
Current – Mainland China		
Charge for the year	1,415,608	3,640,758
(Over)/under-provision in prior years	(14,981)	2,262
Deferred tax (note 30)	308,220	(683,324)
Total tax charge for the year	1,719,345	2,969,258

Notes to Financial Statements

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:

	2022					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	1,257,685		5,985,853		7,243,538	
Tax at the statutory tax rates	207,519	16.5	1,496,464	25.0	1,703,983	23.5
Lower tax rates for specific provinces or enacted by local authority	-	-	(93,909)	(1.6)	(93,909)	(1.3)
Adjustments in respect of current tax of previous periods	(238)	-	(14,981)	(0.3)	(15,219)	(0.2)
Profits attributable to associates	-	-	(11,129)	(0.2)	(11,129)	(0.2)
Income not subject to tax	(381,844)	(30.4)	(15,566)	(0.3)	(397,410)	(5.5)
Expenses not deductible for tax	188,250	15.0	168,622	2.9	356,872	4.9
Effect of withholding tax on the distributable profits on the Group's PRC subsidiaries	-	-	144,118	2.5	144,118	2.1
Tax losses utilised from previous periods	(4,766)	(0.4)	(36,804)	(0.6)	(41,570)	(0.6)
Tax losses not recognised	-	-	32,639	0.5	32,639	0.5
LAT in Mainland China	-	-	108,288	1.8	108,288	1.5
Release of deferred LAT liabilities	-	-	(35,308)	(0.6)	(35,308)	(0.5)
LAT deductible for calculation of income tax	-	-	(18,246)	(0.3)	(18,246)	(0.3)
Temporary difference not recognised	-	-	(36,845)	(0.6)	(36,845)	(0.5)
Others	4,532	0.4	18,549	0.3	23,081	0.3
Tax charge at the Group's effective rates	13,453	1.1	1,705,892	28.5	1,719,345	23.7

Notes to Financial Statements

10 Income tax expense (continued)

	2021					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	621,991		7,834,853		8,456,844	
Tax at the statutory tax rates	102,629	16.5	1,958,714	25.0	2,061,343	24.4
Lower tax rates for specific provinces or enacted by local authority	-	-	(63,142)	(0.8)	(63,142)	(0.8)
Adjustments in respect of current tax of previous periods	13	-	2,262	-	2,275	-
Losses attributable to associates	-	-	9,878	0.1	9,878	0.1
Income not subject to tax	(267,537)	(43.0)	(8,721)	(0.1)	(276,258)	(3.2)
Expenses not deductible for tax	192,555	31.0	138,352	1.8	330,907	3.9
Effect of withholding tax on the distributable profits on the Group's PRC subsidiaries	-	-	211,978	2.7	211,978	2.5
Tax losses utilised from previous periods	(181)	-	(10,430)	(0.1)	(10,611)	(0.1)
Tax losses not recognised	3,995	0.6	47,849	0.6	51,844	0.6
LAT in Mainland China	-	-	1,374,316	17.5	1,374,316	16.3
Release of deferred LAT liabilities	-	-	(396,163)	(5.1)	(396,163)	(4.7)
LAT deductible for calculation of income tax	-	-	(250,245)	(3.2)	(250,245)	(3.0)
Temporary difference not recognised	(179)	-	(51,760)	(0.6)	(51,939)	(0.6)
Others	(9,467)	(1.6)	(15,458)	(0.2)	(24,925)	(0.3)
Tax charge at the Group's effective rates	21,828	3.5	2,947,430	37.6	2,969,258	35.1

11 Dividends

	2022 HK\$'000	2021 HK\$'000
Interim – HK18.71 cents (2021: HK18.17 cents) per ordinary share	1,223,226	1,187,922
Proposed final – HK42.62 cents (2021: HK42.54 cents) per ordinary share	2,786,420	2,781,000
	4,009,646	3,968,922

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.

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

Notes to Financial Statements

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 basic and diluted earnings per share is based on:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<hr/>		
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation	4,763,503	4,696,962
<hr/>		
	Number of shares	
	2022	2021
<hr/>		
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	6,537,821,440	6,537,821,440
<hr/>		

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2022 and 2021 in the calculation of diluted earnings per share as there were no potential dilutive ordinary shares during the years ended 31 December 2022 and 2021.

Notes to Financial Statements

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 2022:									
Cost	2,439,955	2,230,803	1,667,280	5,009,054	870,726	514,781	70,240	920,576	13,723,415
Accumulated depreciation and impairment	(1,219,856)	(1,000,123)	(329,330)	(2,181,515)	(556,016)	(278,919)	(31,976)	(174)	(5,597,909)
Net carrying amount	1,220,099	1,230,680	1,337,950	2,827,539	314,710	235,862	38,264	920,402	8,125,506
At 1 January 2022, net of accumulated depreciation and impairment									
Cost	1,220,099	1,230,680	1,337,950	2,827,539	314,710	235,862	38,264	920,402	8,125,506
Additions	-	12,818	805	103,375	115,474	22,301	9,739	424,605	689,117
Business combinations through acquisition of subsidiaries (note 34)	-	45,595	57,441	55,203	2,828	-	1,285	29,092	191,444
Asset acquisitions through acquisition of subsidiaries (note 35)	-	10,358	-	-	947	-	216	-	11,521
Disposal of subsidiaries (note 36)	-	-	-	(9,952)	(2,181)	-	(2,005)	(10,565)	(24,703)
Disposals and write-offs	(893)	(19,990)	(2,584)	(1,199)	(3,363)	(22)	(687)	(7,551)	(36,289)
Surplus on revaluation	27,044	-	-	-	-	-	-	-	27,044
Depreciation provided during the year (note 6)	(66,971)	(100,970)	(68,041)	(246,751)	(121,382)	(39,064)	(8,401)	-	(651,580)
Transfer from/(to) investment properties (note 14)	471	-	-	-	-	-	-	(126,902)	(126,431)
Transfers	166,987	50,758	45,770	240,237	184,794	10,532	-	(699,078)	-
Exchange realignment	(55,910)	(101,027)	(116,132)	(228,394)	(36,537)	(3,293)	(2,913)	(91,645)	(635,851)
At 31 December 2022, net of accumulated depreciation and impairment	1,290,827	1,128,222	1,255,209	2,740,058	455,290	226,316	35,498	438,358	7,569,778
At 31 December 2022:									
Cost	2,518,148	2,144,337	1,618,020	5,016,028	1,051,015	528,107	68,643	438,519	13,382,817
Accumulated depreciation and impairment	(1,227,321)	(1,016,115)	(362,811)	(2,275,970)	(595,725)	(301,791)	(33,145)	(161)	(5,813,039)
Net carrying amount	1,290,827	1,128,222	1,255,209	2,740,058	455,290	226,316	35,498	438,358	7,569,778

Notes to Financial Statements

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 2021:									
Cost	2,401,015	2,132,338	1,509,015	4,849,721	638,047	497,592	58,309	613,630	12,699,667
Accumulated depreciation and impairment	(1,132,712)	(914,073)	(252,179)	(1,978,683)	(467,436)	(243,532)	(27,036)	(169)	(5,015,820)
Net carrying amount	1,268,303	1,218,265	1,256,836	2,871,038	170,611	254,060	31,273	613,461	7,683,847
At 1 January 2021, net of accumulated depreciation and impairment									
Cost	1,268,303	1,218,265	1,256,836	2,871,038	170,611	254,060	31,273	613,461	7,683,847
Additions	3,710	11,684	1,508	65,306	94,714	24,628	7,123	605,496	814,169
Business combinations through acquisition of subsidiaries (note 34)	-	29,772	-	2,304	9,983	-	4,712	54	46,825
Asset acquisitions through acquisition of subsidiaries (note 35)	-	188	-	-	443	-	658	-	1,289
Disposals and write-offs	(150)	(1,663)	(2,548)	(278)	(5,049)	(3,479)	(415)	(7,450)	(21,032)
Surplus on revaluation	-	759	-	-	-	-	-	-	759
Depreciation provided during the year (note 6)	(76,257)	(88,382)	(69,014)	(199,031)	(79,818)	(40,151)	(6,703)	-	(559,356)
Transfers	-	71,358	113,580	10,576	114,978	91	-	(310,583)	-
Transfer to investment properties (note 14)	-	(42,903)	-	-	-	-	-	-	(42,903)
Exchange realignment	24,493	31,602	37,588	77,624	8,848	713	1,616	19,424	201,908
At 31 December 2021, net of accumulated depreciation and impairment	1,220,099	1,230,680	1,337,950	2,827,539	314,710	235,862	38,264	920,402	8,125,506
At 31 December 2021:									
Cost	2,439,955	2,230,803	1,667,280	5,009,054	870,726	514,781	70,240	920,576	13,723,415
Accumulated depreciation and impairment	(1,219,856)	(1,000,123)	(329,330)	(2,181,515)	(556,016)	(278,919)	(31,976)	(174)	(5,597,909)
Net carrying amount	1,220,099	1,230,680	1,337,950	2,827,539	314,710	235,862	38,264	920,402	8,125,506

As at 31 December 2022, property ownership certificates of certain buildings with a net carrying value of HK\$69,157,000 (2021: HK\$98,360,000) have not been issued. The Group is in the process of obtaining the certificates.

Notes to Financial Statements

14 Investment properties

	Completed at fair value <i>HK\$'000</i>	Under development at fair value <i>HK\$'000</i>	Total <i>HK\$'000</i>
Carrying amount at 1 January 2021	15,814,274	5,481,166	21,295,440
Additions	–	929,368	929,368
Asset acquisitions through acquisition of subsidiaries (<i>note 35</i>)	8,088	–	8,088
Net gain from fair value adjustments	180,002	460,625	640,627
Transfer from property, plant and equipment, net (<i>note 13</i>)	42,903	–	42,903
Transfer from right-of-use assets (<i>note 15(a)</i>)	314,519	–	314,519
Exchange realignment	393,820	182,459	576,279
Carrying amount at 31 December 2021 and 1 January 2022	16,753,606	7,053,618	23,807,224
Additions	–	767,391	767,391
Disposals	(12,241)	–	(12,241)
Transfer from investment properties under development to completed investment properties	2,826,629	(2,826,629)	–
Transfer from completed properties held for sale to completed investment properties	97,864	–	97,864
Asset acquisitions through acquisition of subsidiaries (<i>note 35</i>)	1,413,815	–	1,413,815
Net gain from fair value adjustments	485,088	451,924	937,012
Transfer from property, plant and equipment, net (<i>note 13</i>)	126,431	–	126,431
Transfer from right-of-use assets, net (<i>note 15(a)</i>)	22,930	–	22,930
Lease modification	(79,284)	–	(79,284)
Exchange realignment	(1,593,393)	(414,615)	(2,008,008)
Carrying amount at 31 December 2022	20,041,445	5,031,689	25,073,134

As at 31 December 2022, investment properties under development at fair value of HK\$5,031,689,000 (2021: HK\$7,053,618,000) and completed investment properties of fair value HK\$3,623,912,000 (2021: Nil) were pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (*note 28*).

On an annual basis, the Group engages external, independent and professionally qualified valuers to determine the fair values of the Group's investment properties. As at 31 December 2022, the fair values have been determined by Vigers Appraisal & Consulting Limited and Guangdong Zhixin Asset Evaluation Co., Ltd. (2021: Vigers Appraisal & Consulting Limited and RHL Appraisal Limited), at an aggregate amount of HK\$25,073,134,000 (2021: HK\$23,807,224,000) on an open market, existing use basis.

The Group's property manager and the chief financial officer have discussions with the valuers 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 and 40(a) to the financial statements.

Further particulars of the Group's investment properties are included on pages 218 to 219.

Notes to Financial Statements

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 2022 using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for:				
Warehouse and residential/ non-residential properties	–	–	158,809	158,809
Commercial properties	–	–	19,390,155	19,390,155
Investment properties under development	–	–	5,031,689	5,031,689
Hotel properties	–	–	492,481	492,481
	–	–	25,073,134	25,073,134

	Fair value measurement as at 31 December 2021 using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for:				
Warehouse and residential/ non-residential properties	–	–	57,121	57,121
Commercial properties	–	–	16,331,379	16,331,379
Investment properties under development	–	–	7,053,618	7,053,618
Hotel properties	–	–	365,106	365,106
	–	–	23,807,224	23,807,224

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 (2021: Nil).

Notes to Financial Statements

14 Investment properties (continued)

Fair value hierarchy (continued)

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

	Warehouse and 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 2021	37,595	15,429,970	5,481,166	346,709	21,295,440
Additions	-	-	929,368	-	929,368
Asset acquisitions through acquisition of subsidiaries	8,088	-	-	-	8,088
Net gains/(losses) from fair value adjustments	(19,942)	186,747	460,625	13,197	640,627
Transfer from property, plant and equipment, net	29,955	12,948	-	-	42,903
Transfer from right-of-use assets	-	314,519	-	-	314,519
Exchange realignment	1,425	387,195	182,459	5,200	576,279
Carrying amount at 31 December 2021 and at 1 January 2022	57,121	16,331,379	7,053,618	365,106	23,807,224
Additions	-	-	767,391	-	767,391
Disposals	(12,241)	-	-	-	(12,241)
Transfer from investment properties under development at fair value to completed investment properties at fair value	-	2,826,629	(2,826,629)	-	-
Transfer from completed properties held for sale to completed investment properties at fair value	62,584	35,280	-	-	97,864
Asset acquisitions through acquisition of subsidiaries	-	1,413,815	-	-	1,413,815
Net gains/(losses) from fair value adjustments	60,608	425,380	451,924	(900)	937,012
Transfer from property, plant and equipment, net	-	-	-	126,431	126,431
Transfer from right-of-use assets, net	-	-	-	22,930	22,930
Lease modification	-	(79,284)	-	-	(79,284)
Exchange realignment	(9,263)	(1,563,044)	(414,615)	(21,086)	(2,008,008)
Carrying amount at 31 December 2022	158,809	19,390,155	5,031,689	492,481	25,073,134

Notes to Financial Statements

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	
			2022	2021
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\$25 to HK\$35	HK\$25 to HK\$36
		Market rent (per sq.ft. and per month)	HK\$31 to HK\$36	HK\$31 to HK\$37
		Term yield	4.5%	4.5%
		Market yield	4.6%	4.5% to 4.6%
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\$85	HK\$85
		Term yield	5.5%	5.5%
		Market yield	6%	6%
Hotel properties located in Hong Kong	Income approach	Market yield	3.8% to 4.02%	3.79% to 3.99%
		Estimated net income (per annum)	HK\$19,915,000 to HK\$32,193,000	HK\$19,521,000 to HK\$31,097,000
Commercial properties located in Mainland China:				
Retail*	Income approach	Capitalisation rate	4.8% to 5.3%	N/A
		Market rent/estimated rental (per sq.m. and per month)	HK\$117 to HK\$373	HK\$61 to HK\$306
		Term yield	N/A	4.5%
		Reversionary yield	N/A	5%
Office	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.m. and per month)	HK\$62 to HK\$1,647	HK\$81 to HK\$1,613
		Market rent (per sq.m. and per month)	HK\$41 to HK\$1,499	HK\$46 to HK\$1,452
		Term yield	4.75% to 7.9%	6.5% to 7.6%
		Market yield	4.75% to 7.9%	6.75% to 7.98%
Retail*	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.m. and per month)	HK\$4.7 to HK\$6,715	HK\$17 to HK\$712
		Market rent (per sq.m. and per month)	HK\$4.8 to HK\$6,245	HK\$17 to HK\$228
		Term yield	5% to 15.5%	5% to 6%
		Market yield	5.5% to 15.5%	5.94% to 7%
Retail	Income approach, more specifically, a term and reversion approach	Net market rent (per sq.m. and per month)	HK\$22 to HK\$263	HK\$42 to HK\$489
		Market yield	5%	5%
Retail	Market approach	Market price (per sq.m.)	HK\$11,776 to HK\$13,358	HK\$11,760 to HK\$146,772

Notes to Financial Statements

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	
			2022	2021
Commercial properties located in Mainland China: (continued)				
Car parking space	Income approach	Capitalisation rate	3.18%	N/A
		Market rent per month (per car park space)	HK\$783 to HK\$963	N/A
Car parking space	Market approach	Estimated unit rate (per car parking space)	N/A	HK\$236,174
Car parking space	Market approach	Market price (per car parking space)	HK\$111,950 to HK\$167,925	HK\$122,310 to HK\$183,465
Hotel properties located in Mainland China:	Income approach	Market yield	5.5% to 6.45%	4.27% to 6.3%
		Estimated net income (per annum)	HK\$11,458,000 to HK\$13,023,000	HK\$11,330,000 to HK\$17,980,000
Warehouse and residential/non-residential properties	Market approach	Estimated land value (per sq.m.)	HK\$3,381	HK\$3,899
	Depreciated replacement cost method	Estimated cost of construction (per sq.m.)	HK\$3,582	HK\$5,507 to HK\$5,629
Investment properties under development:				
The Southern Land of the GDH City Project	Residual method	Capitalisation rate	4.3% to 4.8%	6%
		Estimated cost of construction (per sq.m.)	HK\$10,727	HK\$7,342 to HK\$11,442
		Estimated developer's profit	7%	19%
The Northern Land of the GDH City Project*	Residual method	Capitalisation rate	N/A	6%
		Estimated cost of construction (per sq.m.)	N/A	HK\$7,342 to HK\$9,300
		Estimated developer's profit	N/A	12%

* For the year ended 31 December 2022, an investment property was completed and transferred into completed investment properties from investment properties under development. As at 31 December 2022, the fair value for this investment property was derived using the income approach while as at 31 December 2021, residual method was used. Fair value gain was recognised as the developer's profit and risk margins was released.

As at 31 December 2022, the fair value for an investment property was derived using the income approach-term and reversion approach while as at 31 December 2021, market approach was used.

Notes to Financial Statements

14 Investment properties (continued)

Fair value hierarchy (continued)

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

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

Income approach

Income approach is based on the income potential by adopting appropriate capitalisation rate, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The estimated rental adopted in the valuation have referred to valuers' view of recent lettings, within the subject properties and other comparable properties.

Term and reversion approach is a specific approach of income approach, under which 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 market approach

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.

The residual method

Residual method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk margins from the estimated capital value of the proposed development assuming completed as at the date of valuation. As the construction progress of the investment property under development was closer to completion, the lower adopted rate for developer's profit reflected a lower risk, which led to a higher fair value of the investment property.

Depreciated replacement cost method

The depreciated replacement cost method 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.

Notes to Financial Statements

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 1 to 20 years (2021: 1 to 20 years). Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 21 to 50 years (2021: 21 to 50 years), and no ongoing payments will be made under the terms of these land leases.

(a) Right-of-use assets

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

	Properties <i>HK\$'000</i>	Leasehold land <i>HK\$'000</i>	Total <i>HK\$'000</i>
Carrying amount at 1 January 2021	256,205	348,462	604,667
Additions	565,095	9,271	574,366
Business combinations through acquisition of subsidiaries (<i>note 34</i>)	5,883	–	5,883
Transfer to investment properties (<i>note 14</i>)	(314,519)	–	(314,519)
Depreciation charge during the year (<i>note 6</i>)	(62,098)	(15,433)	(77,531)
Disposal and write-offs	(16,359)	–	(16,359)
Exchange realignment	10,362	12,097	22,459
Carrying amount at 31 December 2021 and 1 January 2022	444,569	354,397	798,966
Surplus on revaluation	–	4,905	4,905
Additions	12,315	11,259	23,574
Business combinations through acquisition of subsidiaries (<i>note 34</i>)	–	65,225	65,225
Asset acquisitions through acquisition of subsidiaries (<i>note 35</i>)	909	–	909
Lease modification	(131,715)	–	(131,715)
Transfer to investment properties (<i>note 14</i>)	–	(22,930)	(22,930)
Depreciation charge during the year (<i>note 6</i>)	(56,664)	(19,050)	(75,714)
Disposal and write-offs	(77)	–	(77)
Exchange realignment	(19,612)	(32,164)	(51,776)
Carrying amount at 31 December 2022	249,725	361,642	611,367

As at 31 December 2022, land use right certificates of certain leasehold land with a carrying value of HK\$32,506,000 (2021: HK\$85,748,000) have not been issued. The Group is in the process of obtaining the certificates.

Notes to Financial Statements

15 Leases (continued)

The Group as lessee (continued)

(b) *Lease liabilities*

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Carrying amount at 1 January	1,026,438	529,213
New leases	12,315	530,086
Business combinations through acquisition of subsidiaries (note 34)	–	6,542
Asset acquisitions through acquisition of subsidiaries (note 35)	8,009	–
Accretion of interest recognised during the year (note 7)	32,183	26,973
Lease modification	(289,552)	–
Payments	(73,380)	(72,715)
Disposal and write-offs	(167)	(16,657)
Exchange realignment	(74,940)	22,996
Carrying amount at 31 December	640,906	1,026,438
Analysed into:		
Current portion	77,733	89,116
Non-current portion	563,173	937,322
	640,906	1,026,438

The maturity analysis of lease liabilities is disclosed in note 45 to the financial statements.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	32,183	26,973
Depreciation charge of right-of-use assets	75,714	77,531
Expense relating to short-term leases	10,520	9,722
Gain on lease modification	(78,553)	–
Variable lease payments not included in the measurement of lease liabilities	451	5,025
Total amount recognised in profit or loss	40,315	119,251

(d) The total cash outflow for leases is disclosed in note 37(d) to the financial statements.

Notes to 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\$1,401,523,000 (2021: HK\$1,464,009,000), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	1,163,293	1,389,590
After one year but within two years	786,344	988,780
After two years but within three years	465,211	567,830
After three years but within four years	209,834	308,305
After four years but within five years	114,265	154,310
After five years	146,434	158,735
	2,885,381	3,567,550

16 Goodwill

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost and net carrying amount at 1 January	804,957	594,086
Business combinations through acquisition of subsidiaries (note 34)	95,260	194,682
Exchange realignment	(59,015)	16,189
Cost and net carrying amount at 31 December	841,202	804,957

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Water distribution operations	500,988	522,062
Sewage treatment operations	340,214	282,895
	841,202	804,957

Notes to Financial Statements

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 8 to 31 years (2021: 9 to 32 years). The pre-tax discount rates applied to the cash flow projections range from 9% to 15% (2021: 9% to 16%).

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 2022 and 2021. 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 projected with reference to the latest Hong Kong Water Supply Agreement entered into in 2020 where the annual water revenue receivable from the HKSAR for the years 2021, 2022 and 2023 are HK\$4,821.41 million, HK\$4,950.51 million and HK\$5,016.35 million, respectively. No growth in the revenue from the water supply to the HKSAR is extrapolated beyond 2023 (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 1% to 3% per annum (2021: 1% to 3% per annum) over the projection periods. Operating expenses are expected to increase by 1% to 10% per annum (2021: increase by 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 1 to 43 years (2021: 2 to 44 years). The pre-tax discount rates applied to the cash flow projections range from 9% to 15% (2021: 9% to 15%). 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 1% to 5% per annum (2021: 1% to 5% per annum) over the projection periods. Operating expenses are expected to increase by 1% to 7% per annum (2021: 1% to 5% per annum) during the projection periods.

Based on the results of the impairment test of goodwill, in the opinion of the directors, no impairment is considered necessary for the Group's goodwill as at 31 December 2022 (2021: Nil).

Notes to Financial Statements

17 Other intangible assets

	Licence HK\$'000	Trademark HK\$'000	Contract rights HK\$'000	Total HK\$'000
Cost at 1 January 2022, net of accumulated amortisation	11,715	22,746	–	34,461
Additions	41,276	–	–	41,276
Business combinations through acquisition of subsidiaries (note 34)	–	–	691,254	691,254
Disposal of subsidiaries (note 36)	(7,373)	–	–	(7,373)
Amortisation during the year (note 6)	(1,993)	(1,199)	(14,295)	(17,487)
Exchange realignment	(2,025)	(1,879)	(31,882)	(35,786)
At 31 December 2022, net of accumulated amortisation	41,600	19,668	645,077	706,345
At 31 December 2022:				
Cost	43,503	23,026	658,802	725,331
Accumulated amortisation	(1,903)	(3,358)	(13,725)	(18,986)
Net carrying amount	41,600	19,668	645,077	706,345
		Licence HK\$'000	Trademark HK\$'000	Total HK\$'000
Cost at 1 January 2021, net of accumulated amortisation		6,706	23,319	30,025
Additions		11	–	11
Business combinations through acquisition of subsidiaries (note 34)		6,016	–	6,016
Amortisation during the year (note 6)		(1,333)	(1,239)	(2,572)
Exchange realignment		315	666	981
At 31 December 2021, net of accumulated amortisation		11,715	22,746	34,461
At 31 December 2021:				
Cost		14,493	25,157	39,650
Accumulated amortisation		(2,778)	(2,411)	(5,189)
Net carrying amount		11,715	22,746	34,461

Notes to Financial Statements

18 Investments in associates

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Share of net assets	3,969,135	4,316,908
Goodwill on acquisition	141,562	153,037
	4,110,697	4,469,945
Less: Impairment	(79,317)	(79,317)
	4,031,380	4,390,628

The Group's receivable/payable balances from/to associates are disclosed in notes 24, 26 and 40(d) to the financial statements.

Particulars of the 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
廣東粵電靖海發電有限公司 (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

Notes to Financial Statements

18 Investments in associates (continued)

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.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current assets	1,561,304	1,862,157
Non-current assets	7,898,772	8,468,906
Goodwill on acquisition of the associate	17,570	17,570
Current liabilities	(4,626,857)	(4,928,566)
Non-current liabilities	(1,820,068)	(1,667,027)
Net assets	3,030,721	3,753,040
Net assets, excluding goodwill	3,013,151	3,735,470
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	753,288	933,868
Goodwill on acquisition	17,570	17,570
Carrying amount of the investment	770,858	951,438
Dividend received	–	130,188
Revenue	8,166,239	8,018,941
Loss for the year	(422,774)	(638,324)
Other comprehensive income for the year	(299,545)	122,273
Total comprehensive income for the year	(722,319)	(516,051)

Notes to Financial Statements

18 Investments in associates (continued)

The following table illustrates the summarised financial information in respect of Shantou Water Co and its subsidiaries, adjusted for any differences in accounting policies and fair value adjustments and reconciled to the carrying amount in the consolidated financial statements:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current assets	1,666,911	2,038,488
Non-current assets	3,023,021	2,815,053
Goodwill on acquisition of the associate	90,606	98,990
Current liabilities	(726,842)	(520,212)
Non-current liabilities	(365,487)	(387,640)
Net assets	3,688,209	4,044,679
Net assets, excluding goodwill	3,597,603	3,945,689
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	1,762,825	1,933,388
Goodwill on acquisition	90,606	98,990
Carrying amount of the investment	1,853,431	2,032,378
Dividend received	46,374	42,911
Revenue	713,829	712,223
Profit for the year	80,926	105,520
Other comprehensive income for the year	(351,482)	147,080
Total comprehensive income for the year	(270,556)	252,600

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Share of the associates' profits less losses for the year	110,555	68,366
Share of the associates' other comprehensive income	(153,933)	65,430
Share of the associates' total comprehensive income	(43,378)	133,796
Aggregate carrying amount of the Group's investments in the associates	1,407,091	1,406,812

Notes to Financial Statements

19 Service concession arrangements

(a) Operating concession rights

	Water distribution operations <i>HK\$'000</i> <i>(note (i))</i>	Road and bridge operation <i>HK\$'000</i> <i>(note (ii))</i>	Total <i>HK\$'000</i>
At 1 January 2022:			
Cost	35,343,517	4,702,743	40,046,260
Accumulated amortisation and impairment	(17,184,844)	(1,074,282)	(18,259,126)
Net carrying amount	18,158,673	3,628,461	21,787,134
At 1 January 2022, net of accumulated amortisation and impairment	18,158,673	3,628,461	21,787,134
Additions	2,200,788	6,991	2,207,779
Business combinations through acquisition of subsidiaries <i>(note 34)</i>	632,443	–	632,443
Amortisation during the year <i>(note 6)</i>	(1,096,767)	(223,588)	(1,320,355)
Disposal	(9,274)	–	(9,274)
Exchange realignment	(1,117,761)	(337,006)	(1,454,767)
At 31 December 2022, net of accumulated amortisation and impairment	18,768,102	3,074,858	21,842,960
At 31 December 2022:			
Cost	36,964,657	4,272,817	41,237,474
Accumulated amortisation and impairment	(18,196,555)	(1,197,959)	(19,394,514)
Net carrying amount	18,768,102	3,074,858	21,842,960

Notes to Financial Statements

19 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 2021:			
Cost	28,160,342	3,867,552	32,027,894
Accumulated amortisation and impairment	(16,137,768)	(829,462)	(16,967,230)
Net carrying amount	12,022,574	3,038,090	15,060,664
At 1 January 2021, net of accumulated amortisation and impairment			
Additions	3,603,485	710,620	4,314,105
Business combinations through acquisition of subsidiaries (note 34)	3,290,898	–	3,290,898
Amortisation during the year (note 6)	(1,032,876)	(217,105)	(1,249,981)
Impairment during the year (note 6)	(2,492)	–	(2,492)
Exchange realignment	277,084	96,856	373,940
At 31 December 2021, net of accumulated amortisation and impairment	18,158,673	3,628,461	21,787,134
At 31 December 2021:			
Cost	35,343,517	4,702,743	40,046,260
Accumulated amortisation and impairment	(17,184,844)	(1,074,282)	(18,259,126)
Net carrying amount	18,158,673	3,628,461	21,787,134

Notes to Financial Statements

19 Service concession arrangements (continued)

(a) Operating concession rights (continued)

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 2022 and 2021, 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 2022. 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 2022 and 2021.

At 31 December 2022 and 2021, 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 2022 and 2021 and the land use right certificates can be received.

- (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. The Xingliu Expressway is located in the Guangxi Province and runs from Xingye County, Yulin City to Liujiang 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.



Notes to Financial Statements

19 Service concession arrangements (continued)

(b) Receivables under service concession arrangements

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Receivables under service concession arrangements	16,672,033	15,388,206
Less: Portion classified as current assets	(375,500)	(485,485)
Non-current portion	16,296,533	14,902,721

Receivables under service concession arrangements were due from the Grantors in respect of the Group's water distribution and sewage treatment operations.

- (c) As at 31 December 2022, bank and other loans of HK\$10,624,528,000 (2021: HK\$8,866,063,000) were secured by the pledge of revenue entitlement under certain water distribution, sewage treatment and toll road concession arrangements (note 28).

(d) Contract assets

As at 31 December 2022, contract assets which were presented as operating concession rights and receivables under service concession arrangements amounted to HK\$3,931,336,000 (2021: HK\$3,090,006,000) and HK\$3,987,558,000 (2021: HK\$2,651,229,000), 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 the relevant provision of services 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 24). The Group's trading terms and credit policy with customers are disclosed in note 24 to the financial statements.

- (e) 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 2022 in respect of these assets (2021: Nil).

Notes to Financial Statements

20 Receivables under a cooperative arrangement

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Receivables under a cooperative arrangement	2,139,111	2,346,599
Less: Portion classified as current assets	(105,111)	–
Non-current portion	2,034,000	2,346,599

Balance as at 31 December 2022 mainly represented an advance of RMB1,698,152,000 (equivalent to approximately HK\$1,901,081,000) (2021: RMB1,724,362,000 (equivalent to approximately HK\$2,109,067,000)) and accrued interest of RMB169,939,000 (equivalent to approximately HK\$190,247,000) (2021: RMB151,920,000 (equivalent to approximately HK\$185,814,000)) in respect of a public-private-partnership project for the development of certain public roads in 銀瓶創新區 (“Yinping Innovation Zone”) (the “Yinping PPP Project”).

The advance and accrued interest are unsecured, interest-bearing at 8% per annum and repayable in 10 annual instalments, from the acceptance of each public road. Further details of the Yinping PPP Project are set out in note 39(b) to the financial statements.

The balance relates to receivables which were not yet due. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

21 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, completed properties held for sale and properties held for sale under development of HK\$31,822,626,000 (2021: HK\$33,942,408,000) were expected to be recovered after more than one year.

At the end of the reporting period, properties held for sale under development of HK\$15,743,787,000 (2021: HK\$4,451,985,000) and completed properties held for sale of HK\$1,954,030,000 (2021: Nil) were pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (note 28).

Notes to Financial Statements

22 Equity investments designated at fair value through other comprehensive income

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current:		
Unlisted equity investments, at fair value	55,039	30,568

The balance includes an investment in 粵海物業管理有限公司 (Yuehai Property Management Co., Ltd. ▲) which was acquired from Guangdong Holdings during the year.

These equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these equity investments to be strategic in nature. The tax effect for the fair value change during the year amounted to Nil (2021: Nil).

23 Inventories

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Raw materials	291,053	296,631
Finished goods	11,010	12,584
	302,063	309,215

24 Receivables, prepayments and other receivables

	Notes	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade and bills receivables, net of impairment	(i)	2,722,968	2,134,546
Other receivables	(ii)	1,079,467	859,532
Prepayments and deposits		429,260	553,571
VAT receivables		819,606	957,136
Contract assets	(iii)	591,574	524,700
Contract costs	(iv)	67,964	62,201
Due from the ultimate holding company	40(d)	241,735	2,324
Due from fellow subsidiaries	40(d)	244,752	15,480
Due from associates	40(d)	30,647	14,891
		6,227,973	5,124,381
Less: Portion classified as non-current assets		(950,298)	(613,588)
Current portion		5,277,675	4,510,793

Notes to Financial Statements

24 Receivables, prepayments and other receivables (continued)

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 and bills receivables relate principally to the water distribution and sewage treatment and electricity supply businesses. The Group has a certain concentration of credit risk whereby 6% (2021: 5%) of the total trade and bills receivables was due from one customer. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest bearing.

An ageing analysis of the Group's trade and bills receivables as at the end of the reporting period, based on the payment due date and net of loss allowance, is as follows:

	2022 HK\$'000	2021 HK\$'000
Current or less than 3 months past due	2,104,472	1,646,679
3 months to 6 months past due	258,780	161,285
6 months to 1 year past due	105,652	128,548
More than 1 year past due	289,961	252,430
	2,758,865	2,188,942
Less: Loss allowance	(35,897)	(54,396)
	2,722,968	2,134,546

Movement in the loss allowance account in respect of trade and bills receivables are as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	54,396	27,261
Business combinations through acquisition of subsidiaries (note 34)	235	33,342
Disposal of subsidiaries	(4,105)	-
Reversal of impairment losses, net (note 6)	(8,878)	(1,874)
Amount written off	(2,050)	(3,169)
Exchange realignment	(3,701)	(1,164)
At 31 December	35,897	54,396

The Group measures loss allowances at each reporting date using a provision matrix. 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 and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Notes to Financial Statements

24 Receivables, prepayments and other receivables (continued)

Notes: (continued)

(i) (continued)

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables using a provision matrix:

As at 31 December 2022

	Current	Past due			Total
		Less than 1 year	1 to 2 years	Over 2 years	
Expected credit loss rate	0.58%	0.78%	4.27%	12.11%	1.30%
Gross carrying amount (HK\$'000)	1,846,023	622,881	188,752	101,209	2,758,865
Expected credit losses (HK\$'000)	10,713	4,875	8,053	12,256	35,897

As at 31 December 2021

	Current	Past due			Total
		Less than 1 year	1 to 2 years	Over 2 years	
Expected credit loss rate	0.08%	3.68%	1.65%	34.76%	2.49%
Gross carrying amount (HK\$'000)	1,512,490	424,022	151,328	101,102	2,188,942
Expected credit losses (HK\$'000)	1,157	15,595	2,504	35,140	54,396

(ii) During the year ended 31 December 2022, the Group disposed one of its investment properties to a third party under a relocation compensation agreement for a city renovation project. As at 31 December 2022, included in other receivables was the contractual right amounted to HK\$97,468,000 of receiving the residential properties under the relocation compensation agreement.

(iii) As at 31 December 2022, contract assets which represented the services consideration received amounted to HK\$591,574,000 (2021: HK\$524,700,000).

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.

(iv) As at 31 December 2022, contract costs which represented the sales commissions paid directly attributable to obtaining contracts amounted to HK\$67,964,000 (2021: HK\$62,201,000).

Notes to Financial Statements

25 Cash and bank balances and restricted bank balances

	Notes	2022 HK\$'000	2021 HK\$'000
Cash and bank balances [#]	(i)	8,294,680	7,928,297
Non-pledged time deposits with:			
Original maturity of more than three months when acquired (note 37(c))		123,555	761,473
Original maturity of less than three months when acquired [#]		519,885	905,330
Cash and bank balances as stated in the consolidated statement of financial position as at 31 December (note 37(c))	(ii)	8,938,120	9,595,100
Restricted bank balances		583,074	469,412
Cash and bank balances and restricted bank balances	(iii)	9,521,194	10,064,512

Notes:

- (i) As at 31 December 2022, included in the balance represented bank deposits of RMB2,593,009,000 (equivalent to approximately HK\$2,902,874,000) (2021: RMB2,670,880,000 (equivalent to approximately HK\$3,266,753,000)) placed at a non-banking financial institution in the PRC, which is a fellow subsidiary of the Group (note 40(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) Included in balance represented pre-sale proceeds of HK\$1,263,996,000 (2021: HK\$1,098,690,000) from properties held for sale under development placed at designated bank accounts under supervision pursuant to relevant regulations in the PRC, of which HK\$512,248,000 (2021: HK\$442,467,000) cannot be released until certain conditions are fulfilled according to relevant regulations while the remaining amounts can be released to the Group for meeting the payment needs for certain prescribed costs associated with the property development.
- [#] At the end of the reporting period, these balances included an amount of HK\$8,135,337,000 (2021: HK\$8,570,891,000) 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.



Notes to Financial Statements

26 Payables, accruals and other liabilities, and contract liabilities

(a) Payables, accruals and other liabilities

	Notes	2022 HK\$'000	2021 HK\$'000
Trade and bills payables	(i)	6,224,663	3,827,705
Accruals, other payables and other liabilities	(ii)	8,481,910	11,043,119
Put option on non-controlling interests in a subsidiary	(iii)	–	704,894
Payable for the acquisition of non-controlling interests in a subsidiary	(iii)	290,483	–
Payables for land use rights		–	6,239,063
Defined benefit obligations	42	122,320	134,144
Deferred revenue		346,715	307,845
Due to the immediate holding company	40(d)	34,737	44,509
Due to the ultimate holding company	40(d)	278,309	125,323
Due to fellow subsidiaries	40(d)	381,519	921,409
Due to associates	40(d)	30,127	1,319
		16,190,783	23,349,330
Less: Portion classified as non-current liabilities	29	(1,354,982)	(1,565,739)
Current portion		14,835,801	21,783,591

Notes:

- (i) An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the payment due date, is as follows:

	2022 HK\$'000	2021 HK\$'000
Within 3 months	6,066,868	3,207,803
3 months to 6 months	37,226	188,216
6 months to 1 year	120,569	431,686
	6,224,663	3,827,705

- (ii) 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 2022, the aggregate carrying amount of the advance amounted to Nil (2021: HK\$118,200,000) were grouped in current liabilities.

- (iii) In prior years, the Group entered into agreements with the non-controlling equity holders of the Jiangxi Guangdong and its subsidiaries (collectively, the "Jiangxi Guangdong Group") pursuant to which the non-controlling equity holders have the right to sell the remaining 21% equity interest in the Jiangxi Guangdong 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 Group 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. During the year ended 31 December 2022, the Put Option has been exercised at an agreed price. As at 31 December 2022, consideration related to acquisition of the remaining 21% equity interest amounted to HK\$290,483,000 is payable to the option holders.

Except for certain bills payables and payables for land use rights, the Group's payables, accruals and other liabilities are non-interest-bearing and are normally settled on 60-day terms.

Notes to Financial Statements

26 Payables, accruals and other liabilities, and contract liabilities

(continued)

(b) Contract liabilities

	Note	2022 HK\$'000	2021 HK\$'000
Advances received from customers			
Water distribution, sewage treatment and construction services		881,389	955,117
Sale of properties		5,593,884	2,287,380
Property management service		9,012	4,733
Sale of goods		365,894	397,972
Sale of electricity		7,892	13,995
Loyalty points programme		10,678	18,637
		6,868,749	3,677,834
Less: Portion classified as non-current liabilities	29	(38,258)	(19,160)
Current portion		6,830,491	3,658,674

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.
- (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:

	2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Water distribution, sewage treatment and construction services	894,268	444,360
Sale of properties	954,368	2,302,137
Property management service	3,851	3,857
Sale of goods and loyalty points programme	161,474	128,159
Sale of electricity	13,342	11,193
	2,027,303	2,889,706

Notes to Financial Statements

27 Balances with non-controlling equity holders of subsidiaries

Balance as at 31 December 2022 included proceeds of HK\$742,631,000 (2021: HK\$791,568,000) from the sale of properties to 廣州市番禺資訊技術投資發展有限公司, a non-controlling equity holder of a subsidiary, which is unsecured and non-interest-bearing. The balance will be settled by way of the payable to the non-controlling interests of Wanye of a capital reduction to be effected. As at 31 December 2022 and the date of approval of these financial statements, the Group and the non-controlling equity holders of a subsidiary were discussing the arrangement of the capital reduction.

The remaining current balances are unsecured, non-interest-bearing and have no specific terms of repayment or are repayable within one year. The non-current portion of the balances are unsecured, non-interest-bearing and repayable by 2025.

The carrying amounts of the balances with non-controlling equity holders of subsidiaries approximate to their fair values.

28 Bank and other borrowings

	2022			2021		
	Effective interest rate	Maturity	HK\$'000	Effective interest rate	Maturity	HK\$'000
Current						
Bank loans – unsecured	0.48% – 6.65%	2023	5,838,613	0.41% – 6.70%	2022	4,629,902
Bank loans – secured	1.40% – 5.39%	2023	1,898,230	1.50% – 6.37%	2022	1,707,413
Other loans – unsecured	N/A	On demand	–	0.64% – 3.84%	On demand	78,216
Other loans – unsecured	–	On demand	62,887	–	On demand	13,086
Other loans – unsecured	3.70% – 5.50%	2023	1,971,900	4.00% – 5.85%	2022	475,410
Other loans – secured	3.35% – 4.00%	2023	273,158	4.05%	2022	24,462
			10,044,788			6,928,489
Non-current						
Bank loans – unsecured	0.64% – 4.44%	2024 – 2033	4,049,665	0.61% – 6.50%	2023 – 2039	4,157,481
Bank loans – secured	1.40% – 5.39%	2024 – 2049	15,208,131	1.95% – 6.37%	2023 – 2049	13,104,111
Other loans – unsecured	3.34% – 5.85%	2024 – 2042	10,745,799	1.80% – 6.50%	2023 – 2040	4,257,728
Other loans – secured	3.35% – 3.85%	2024 – 2040	687,205	4.05%	2023	293,544
			30,690,800			21,812,864
Total bank and other borrowings			40,735,588			28,741,353

Notes to Financial Statements

28 Bank and other borrowings (continued)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Analysed into:		
Bank loans repayable:		
Within one year/on demand	7,736,843	6,337,315
In the second year	5,838,993	3,191,621
In the third to fifth years, inclusive	4,691,416	7,300,438
Over five years	8,727,387	6,769,533
	26,994,639	23,598,907
Other loans repayable:		
Within one year/on demand	2,307,945	591,174
In the second year	8,233,657	1,329,064
In the third to fifth years, inclusive	2,802,149	2,833,687
Over five years	397,198	388,521
	13,740,949	5,142,446
Total bank and other borrowings	40,735,588	28,741,353
Less: Portion classified as current liabilities	(10,044,788)	(6,928,489)
Non-current portion	30,690,800	21,812,864

Bank and other borrowings of HK\$5,497,658,000 (2021: HK\$2,832,720,000) are secured by the following pledged assets:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Completed investment properties (<i>Note 14</i>)	3,623,912	–
Investment properties under development (<i>Note 14</i>)	5,031,689	7,053,618
Completed properties held for sale (<i>Note 21</i>)	1,954,030	–
Properties held for sale under development (<i>Note 21</i>)	15,743,787	4,451,985
	26,353,418	11,505,603

Notes to Financial Statements

28 Bank and other borrowings (continued)

Notes:

- (a) As at 31 December 2022, all bank and other borrowings were denominated in Hong Kong dollars, except for bank and other loans of HK\$32,263,478,000 (2021: HK\$21,482,460,000) which were denominated in RMB.
- (b) As at 31 December 2022, secured bank loans of HK\$992,963,000 (2021: HK\$1,390,616,000) and HK\$951,575,000 (2021: HK\$1,147,268,000) were also secured by pledges of 100% and 79% equity interests of certain subsidiaries, respectively.
- (c) Pursuant to the relevant bank loan agreement, a bank borrowing of Nil (2021: HK\$892,863,000) is secured by a pledged bank deposit account.
- (d) As at 31 December 2022, bank and other loans of HK\$10,624,528,000 (2021: HK\$8,866,063,000) were secured by the pledge of revenue entitlement under certain water distribution, sewage treatment and toll road concession arrangements.
- (e) As at 31 December 2022, included in secured and unsecured other borrowings represented loans from Guangdong Holdings of HK\$4,189,169,000 (2021: HK\$2,130,640,000) and loans from fellow subsidiaries of HK\$8,765,148,000 (2021: HK\$2,004,519,000) (note 40(d)).
- (f) At 30 August 2022, Commercial Mortgage Backed Securities ("CMBS") amounted to RMB330,000,000 (equivalent to HK\$369,435,000) were issued in Shanghai Stock Exchange. The CMBS was secured by certain investment properties and their operating income receivables. The interest rates of the CMBS classified as priority A level with a principal amount of RMB170,000,000 was fixed at 3.35% per annum and that of priority B level of RMB150,000,000 was fixed at 3.8% per annum. The term of the CMBS was 18 years. At the end of the third year, the sixth year, the ninth year, the twelfth year, the fifteenth year and the eighteenth year, the Group shall be entitled to adjust the interest rates of the CMBS or repurchase the outstanding balance, and the holders of the CMBS shall be entitled to require the Group to redeem the outstanding balance. The Group subscribed CMBS of RMB10,000,000 (equivalent to HK\$11,195,000) which was subordinated to other securities and the amount was eliminated on the consolidation.

29 Other liabilities and contract liabilities

	Notes	2022 HK\$'000	2021 HK\$'000
Deferred revenue		345,546	299,131
Deposits received		175,747	234,914
Defined benefit obligations	26(a)	122,320	134,144
Other payables and accruals		711,369	897,550
	26(a)	1,354,982	1,565,739
Contract liabilities	26(b)	38,258	19,160
		1,393,240	1,584,899

Notes to Financial Statements

30 Deferred tax

The movements in deferred tax liabilities and assets during the year were as follows:

Deferred tax liabilities

	2022							
	Fair value adjustments arising from acquisition 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 and right-of-use assets HK\$'000	Withholding tax levied on dividend HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2022	2,266,158	243,434	658,410	1,767,166	232,363	972,021	290,778	6,430,330
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	(97,768)	46,340	33,144	231,193	(26,047)	130,257	154,690	471,809
Deferred tax charged to revaluation reserve	-	-	-	-	7,987*	-	-	7,987
Business combinations through acquisition of subsidiaries (note 34)	241,171	5,563	-	-	-	-	-	246,734
Disposal of subsidiaries (note 36)	(9,487)	-	-	-	-	-	(436)	(9,923)
Exchange differences	(198,843)	(22,745)	(47,711)	(163,785)	(18,660)	(87,750)	(30,635)	(570,129)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2022	2,201,231	272,592	643,843	1,834,574	195,643	1,014,528	414,397	6,576,808

Deferred tax assets

	2022							
	Fair value adjustments arising from acquisition 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	Provisions and accruals HK\$'000	Provision for LAT HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2022	(24,322)	(1,730)	(140,422)	(3,551)	(166,124)	(642,005)	(246,013)	(1,224,167)
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	19,192	803	(114,957)	(12)	16,345	(23,461)	(61,499)	(163,589)
Business combinations through acquisition of subsidiaries (note 34)	-	-	-	-	-	-	(1,469)	(1,469)
Disposal of subsidiaries (note 36)	-	-	-	-	-	-	265	265
Exchange differences	1,295	78	13,522	301	15,464	55,315	21,153	107,128
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December 2022	(3,835)	(849)	(241,857)	(3,262)	(134,315)	(610,151)	(287,563)	(1,281,832)

Notes to Financial Statements

30 Deferred tax (continued)

Deferred tax liabilities

	2021							
	Fair value adjustments arising from acquisition 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 and right-of-use assets HK\$'000	Withholding tax levied on dividend HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2021	2,526,920	120,426	586,976	1,558,085	152,946	865,990	154,511	5,965,854
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	(709,355)	83,264	56,387	157,453	5,023	77,535	131,047	(198,646)
Deferred tax transferred to revaluation reserve	-	-	-	-	190*	-	(951)*	(761)
Business combinations through acquisition of subsidiaries (note 34)	372,563	33,758	-	-	68,123	-	1,326	475,770
Asset acquisitions through acquisition of subsidiaries (note 35)	-	-	-	1,553	-	-	-	1,553
Exchange differences	76,030	5,986	15,047	50,075	6,081	28,496	4,845	186,560
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2021	2,266,158	243,434	658,410	1,767,166	232,363	972,021	290,778	6,430,330

* These amounts represent the tax charge of HK\$7,987,000 (2021: HK\$190,000) arising from fair value gains of property, plant and equipment and right-of-use assets upon transfer to investment property of HK\$31,949,000 (2021: HK\$759,000). Net of tax amounts are disclosed in the consolidated statement of comprehensive income.

These amounts include the tax credit of Nil (2021: HK\$951,000) arising from changes in fair value of equity investments designed at fair value through other comprehensive income of Nil (2021: HK\$3,804,000). Net of tax amounts are disclosed in the consolidated statement of comprehensive income.

Notes to Financial Statements

30 Deferred tax (continued)

Deferred tax assets

	2021							
	Fair value adjustments arising from acquisition 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	Provisions and accruals HK\$'000	Provision for LAT HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2021	(1,271)	(1,750)	(28,585)	(3,450)	(193,311)	(341,671)	(114,296)	(684,334)
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	(22,465)	70	(110,134)	-	32,879	(285,884)	(99,144)	(484,678)
Business combinations through acquisition of subsidiaries (note 34)	-	-	-	-	(269)	-	(29,055)	(29,324)
Asset acquisitions through acquisition of subsidiaries (note 35)	-	-	(3,879)	-	-	-	-	(3,879)
Exchange differences	(586)	(50)	2,176	(101)	(5,423)	(14,450)	(3,518)	(21,952)
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December 2021	(24,322)	(1,730)	(140,422)	(3,551)	(166,124)	(642,005)	(246,013)	(1,224,167)

The Group has unrecognised tax losses arising in Hong Kong of HK\$201,581,000 (2021: HK\$249,448,000) 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\$818,369,000 (2021: HK\$1,065,370,000) 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% or 10%. 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 2022, 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 HK\$6,887,262,000 (2021: HK\$5,917,063,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Notes to Financial Statements

31 Share capital

Shares

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Issued and fully paid: 6,537,821,440 (2021: 6,537,821,440) ordinary shares	8,966,177	8,966,177

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) 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.
- (ii) The capital reserve mainly represents the capital reserve arising from group reorganisations in prior years.
- (iii) The defined benefit plan reserve represents remeasurement of gains and losses arising from the defined benefit plans of certain subsidiaries and 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 as follows:

	2022	2021
Percentage of equity interest held by GDH Teem's non-controlling equity holder	23.87%	23.87%

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year allocated to GDH Teem's non-controlling equity holder	290,848	323,394
Dividends paid to GDH Teem's non-controlling equity holder	8,162	128,067
Accumulated balances of GDH Teem's non-controlling interests at the end of the reporting period	6,744,411	6,915,160

Notes to Financial Statements

33 Partly-owned subsidiaries with material non-controlling interests

(continued)

The following tables illustrate the summarised financial information of GDH Teem. The amounts disclosed are before any inter-company eliminations:

	2022 HK\$'000	2021 HK\$'000
Revenue	2,167,926	2,405,083
Changes in fair value of investment properties	143,766	125,474
Total expenses, net	(1,264,513)	(1,485,259)
Profit for the year	1,047,179	1,045,298
Total comprehensive income for the year	(728,443)	1,619,486
Current assets	3,218,018	7,143,937
Non-current assets	21,362,251	18,657,127
Current liabilities	(1,895,637)	(2,116,784)
Non-current liabilities	(2,981,826)	(3,179,920)
Net cash flows from operating activities	5,827,984	4,294,300
Net cash flows used in investing activities	(1,039,008)	(140,184)
Net cash flows used in financing activities	(3,468,343)	(4,033,876)
Effect of foreign exchange rate changes, net	(72,078)	17,769
Net increase in cash and cash equivalents	1,248,555	138,009

34 Business combinations through acquisition of subsidiaries

(a) Year ended 31 December 2022

During the year ended 31 December 2022, the Group acquired a number of subsidiaries which are principally engaged in water distribution and sewage treatment businesses in the PRC as follows:

- (i) In May 2022, the Group acquired the entire equity interest in four companies in Heyuan City from an independent third party at cash consideration of RMB345,000,000 (equivalent to approximately HK\$406,514,000). These companies are principally engaged in the water distribution business in the PRC; and
- (ii) In August 2022, the Group acquired a 75% equity interest in Wuxi Debao Water Investment Co., Ltd. and its subsidiaries (collectively, the "Wuxi Group") from independent third parties at a cash consideration of RMB546,122,000 (equivalent to approximately HK\$641,501,000). The Wuxi Group is principally engaged in the sewage treatment business in the PRC;

These acquisitions were made as part of the Group's strategy to expand its market share in the water resources segment in the PRC.

The Group has elected to measure the non-controlling interests in these acquisitions at the respective non-controlling interests' proportionate share of the acquirees' identifiable net assets.



Notes to Financial Statements

34 Business combinations through acquisition of subsidiaries (continued)

(a) Year ended 31 December 2022 (continued)

The fair values of the identifiable assets and liabilities acquired as at the respective dates of acquisitions are set out as follows:

	<i>HK\$'000</i>
Property, plant and equipment	191,444
Right-of-use assets	65,225
Other intangible assets	691,254
Operating concession rights	632,443
Receivables under service concession arrangements	80,870
Deferred tax assets	1,469
Receivables, prepayments and other receivables	106,553
Contract assets	28,987
Inventories	12,088
Cash and bank balances	69,542
Payables, accruals and other liabilities	(225,775)
Bank and other borrowings	(259,717)
Contract liabilities	(5,962)
Tax payable	(6,641)
Deferred tax liabilities	(246,734)
Total identifiable net assets at fair values	1,135,046
Non-controlling interests	(182,291)
	952,755
Goodwill on acquisitions	95,260
	1,048,015
Satisfied by:	
Cash consideration	1,048,015

Notes to Financial Statements

34 Business combinations through acquisition of subsidiaries (continued)

(a) Year ended 31 December 2022 (continued)

As at the dates of acquisitions, the fair values of the receivables were their gross contractual amounts, of which trade receivables of HK\$235,000 were expected to be uncollectible.

The Group incurred transaction costs of HK\$2,916,000 in connection with the acquisitions. 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 acquisitions are as follows:

	<i>HK\$'000</i>
Total cash consideration	(1,048,015)
Cash consideration payable	81,303
Cash and bank balances acquired	69,542
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(897,170)
Transaction costs for the acquisitions included in cash flows from operating activities	(2,916)
	(900,086)

Since the acquisitions, the above newly acquired businesses contributed revenue of HK\$304,104,000 and net profit of HK\$19,845,000 to the Group for the year ended 31 December 2022.

Had the combinations taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK\$23,381,466,000 and HK\$5,553,927,000, respectively.

Notes to Financial Statements

34 Business combinations through acquisition of subsidiaries (continued)

(b) Year ended 31 December 2021

During the year ended 31 December 2021, the Group acquired a number of subsidiaries and business operations which are principally engaged in water distribution, sewage treatment business and computer software and hardware system integration application development, sales and related technical consultation business activities in the PRC as follows:

- (i) In January 2021, the Group acquired a 51% equity interest in Puning Guangdong Water Co., Ltd. from an independent third party through capital injection of RMB515,212,000 (equivalent to approximately HK\$612,175,000). Puning Guangdong Water Co., Ltd. is principally engaged in the water distribution business in the PRC;
- (ii) In January 2021, the Group acquired a 60% equity interest in Jieyang Guangdong Water Co., Ltd. and its subsidiaries (collectively, the "Jieyang Group") from an independent third party through capital injection of RMB916,806,000 (equivalent to approximately HK\$1,089,348,000). The Jieyang Group is principally engaged in the water distribution business in the PRC;
- (iii) In April 2021, the Group acquired a 70% equity interest in Nanchang County Ganbo Water Co., Ltd. from an independent third party at a cash consideration of RMB105,350,000 (equivalent to approximately HK\$124,650,000). Nanchang County Ganbo Water Co., Ltd. is principally engaged in the water distribution business in the PRC;
- (iv) In April 2021, the Group acquired a 53% equity interest in Hebei Guangdong Water Group Company Limited ("Hebei Guangdong Water") (formerly known as Jiacheng Environmental Engineering Company Limited) and its subsidiaries (collectively, the "Hebei Guangdong Water Group") from independent third parties at a total cash consideration of RMB796,568,000 (equivalent to approximately HK\$942,500,000). The Hebei Guangdong Water Group is principally engaged in the water distribution and sewage treatment businesses in the PRC; and
- (v) In December 2021, the Group acquired an additional 8.38% equity interest in Shenzhen Kerong Software Co., Ltd. and its subsidiaries (collectively, the "Kerong Group") from independent third parties through capital injection of RMB9,917,000 (equivalent to approximately HK\$12,126,000). Upon the acquisition, the Group increased its equity interest in Kerong Group from 42.62% to 51% and Kerong Group was accounted for as subsidiaries of the Group. The Kerong Group is principally engaged in the computer software and hardware system integration application development, sales and related technical consultation businesses in the PRC.

These acquisitions were made as part of the Group's strategy to expand its market share in the water resources segment in the PRC.

The Group has elected to measure the non-controlling interests in these acquisitions at the respective non-controlling interests' proportionate share of the acquirees' identifiable net assets.



Notes to Financial Statements

34 Business combinations through acquisition of subsidiaries (continued)

(b) Year ended 31 December 2021 (continued)

The fair values of the identifiable assets and liabilities acquired as at the respective dates of acquisitions are set out as follows:

	<i>HK\$'000</i>
Property, plant and equipment	46,825
Right-of-use assets	5,883
Other intangible assets	6,016
Investments in associates	5,491
Operating concession rights	3,290,898
Receivables under service concession arrangements	2,096,168
Equity investment designated at fair value through other comprehensive income	18,340
Receivables, prepayments and other receivables	2,669,899
Deferred tax assets	29,324
Tax recoverable	1,506
Inventories	54,587
Cash and bank balances	445,469
Payables, accruals and other liabilities	(1,370,744)
Bank and other borrowings	(1,712,874)
Contract liabilities	(12,777)
Lease liabilities	(6,542)
Due to non-controlling equity holders of subsidiaries	(132,763)
Tax payable	(74,735)
Deferred tax liabilities	(475,770)
Total identifiable net assets at fair values	4,884,201
Non-controlling interests	(2,264,633)
	2,619,568
Goodwill on acquisitions	194,682
	2,814,250
Satisfied by:	
Cash consideration	2,780,799
Fair value of the previously held interest	33,451
	2,814,250

Notes to Financial Statements

34 Business combinations through acquisition of subsidiaries (continued)

(b) Year ended 31 December 2021 (continued)

As at the dates of acquisitions, the fair values of the receivables were their gross contractual amounts, of which trade receivables of HK\$33,342,000 were expected to be uncollectible.

The Group incurred transaction costs of HK\$5,879,000 in connection with the acquisitions. 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 acquisitions are as follows:

	<i>HK\$'000</i>
Total cash consideration	(2,780,799)
Cash consideration paid in last year	164,336
Cash paid in form of capital injection	1,534,156
Cash consideration payable	310,779
Cash and bank balances acquired	445,469
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(326,059)
Transaction costs for the acquisitions included in cash flows from operating activities	(5,879)
	(331,938)

Since the acquisitions, the above newly acquired businesses contributed revenue of HK\$1,598,203,000 and net profit of HK\$5,397,000 to the Group for the year ended 31 December 2021.

Had the combinations taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been HK\$30,029,400,000 and HK\$5,487,383,000, respectively.

Notes to Financial Statements

35 Asset acquisitions through acquisition of subsidiaries

(a) Year ended 31 December 2022

In June 2022, 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited▲), an indirect non-wholly owned subsidiary of the Company, acquired 85% equity interest in 廣州粵海動漫星城有限公司 (Guangzhou Yuehai Comic City Co., Ltd.▲) from Guangdong Holdings (the ultimate holding company of the Company) and 廣州粵海仰忠匯置業有限公司 (Guangzhou Yuehai Yangzhonghui Land Co., Ltd.▲) (a direct wholly-owned subsidiary of Guangdong Holdings) at an adjusted cash consideration of RMB764,360,000 (equivalents to approximately HK\$900,646,000). The transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

Management accounted for the transaction as acquisition of assets and liabilities in accordance with the amendments to HKFRS 3 (Revised), *Business Combinations* which required the cost of acquisition to be allocated to individual identifiable assets and liabilities of the acquired company on the basis of their relative fair values at the respective date of acquisition as summarised below:

	HK\$'000
Property, plant and equipment	11,521
Investment properties	1,413,815
Right-of-use assets	909
Prepayments and other receivables	5,881
Cash and bank balances	20,507
Other payables and accruals	(28,711)
Lease liabilities	(8,009)
Loan from a fellow subsidiary	(353,490)
Non-controlling interests	(161,777)
Total identifiable net assets at fair value acquired	900,646
Satisfied by:	
Cash consideration	900,646

An analysis of the cash flows in respect of the acquisition are as follows:

	HK\$'000
Cash consideration	(900,646)
Cash and bank balances acquired	20,507
Net outflow of cash and cash equivalents included in cash flows from investing activities	(880,139)

Notes to Financial Statements

35 Asset acquisitions through acquisition of subsidiaries (continued)

(b) Year ended 31 December 2021

On 13 January 2021, GD Land, a subsidiary of the Company, acquired a 51% equity interest of Jiangmen Yuehai Land Company Limited ("Jiangmen Yuehai") at a consideration of RMB954,180,000 (equivalent to HK\$1,143,490,000) (of which included an amount of RMB306,000,000 (equivalent to HK\$366,710,000) for buying 51% of the loan from a fellow subsidiary).

On 18 January 2021, GD Land acquired a 100% equity interest of Huiyang Yuehai Property Development Company Limited and its subsidiary (collectively, "Huiyang Yuehai") at a consideration of RMB273,798,000 (equivalent to HK\$328,119,000).

The vendors of both transactions are wholly-owned subsidiaries of Guangdong Holdings. The above transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

Management accounted for the transactions as acquisitions of assets and liabilities in accordance with the amendments to HKFRS 3 (Revised), *Business Combinations* which required the cost of acquisition to be allocated to individual identifiable assets and liabilities of the acquired companies on the basis of their relative fair values at the respective dates of acquisitions as summarised below:

	Jiangmen Yuehai carrying value upon completion HK\$'000	Huiyang Yuehai carrying value upon completion HK\$'000	Total HK\$'000
Property, plant and equipment	657	632	1,289
Investment properties	–	8,088	8,088
Completed properties held for sale	–	5,105	5,105
Properties held for sale under development	2,209,657	234,197	2,443,854
Receivables, prepayments and other receivables	43,921	882	44,803
Cash and bank balances	73,907	86,553	160,460
Deferred tax assets, net	1,165	1,161	2,326
Payables, accruals and other liabilities	(87,170)	(8,499)	(95,669)
Loan from a fellow subsidiary	(719,040)	–	(719,040)
Non-controlling interests	(746,317)	–	(746,317)
Total identifiable net assets at fair value acquired	776,780	328,119	1,104,899
Settlement of the outstanding loan from a fellow subsidiary	366,710	–	366,710
	1,143,490	328,119	1,471,609

An analysis of the cash flows in respect of the acquisitions are as follows:

	HK\$'000
Total consideration	(1,471,609)
Cash consideration payable	727,493
Cash and bank balances acquired	160,460
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(583,656)

Notes to Financial Statements

36 Disposal of subsidiaries

On 27 May 2022, the Group entered into the equity transfer agreements with 廣東粵海水務科技有限公司 (Guangdong Water Technology Co., Ltd.▲) (“Guangdong Water Technology”) (a subsidiary of Guangdong Holdings and a fellow subsidiary of the Group), pursuant to which:

- (a) the Group agreed to transfer 54% equity interest in 哈爾濱工業大學水資源國家工程研究中心有限公司 (Harbin Technology University Water Resources National Engineering Research Centre Company Limited▲) to Guangdong Water Technology at an adjusted consideration of RMB71,859,000 (equivalent to approximately HK\$86,712,000);
- (b) the Group agreed to transfer 49% equity interest in 粵海水資源工程研究中心(廣東)有限公司 (Guangdong Water Resources Engineering Research Centre (Guangdong) Company Limited▲) to Guangdong Water Technology at a consideration of RMB1;
- (c) the Group agreed to transfer 51% equity interest in 深圳市科榮軟件股份有限公司 (Shenzhen Kerong Software Co., Ltd.▲) to Guangdong Water Technology at an adjusted consideration of RMB44,686,000 (equivalent to approximately HK\$53,922,000); and
- (d) the Group agreed to transfer 100% equity interest in 廣東粵海水務檢測技術有限公司 (Guangdong Water Testing Technology Co., Ltd.▲) (“Guangdong Water Testing”) to Guangdong Water Technology at an adjusted consideration of RMB13,896,000 (equivalent to approximately HK\$16,768,000).

The above disposals were completed during the year ended 31 December 2022.

The above transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

The net assets of the subsidiaries disposed of at the respective disposal dates were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	24,703
Other intangible assets	7,373
Equity investments designated at fair value through other comprehensive income	11,563
Investments in associates	494
Deferred tax assets	265
Receivables, prepayments and other receivables	423,942
Contract assets	10,030
Restricted bank balances	4,427
Cash and bank balances	87,355
Inventories	14,986
Other payables and accruals	(275,223)
Contract liabilities	(10,092)
Tax payable	(6,953)
Deferred tax liabilities	(9,923)
Bank and other borrowings	(29,880)
Non-controlling interests	(92,583)
	160,484
Net gain on disposal of subsidiaries	27,893
	188,377
Satisfied by:	
Cash consideration	157,402
Investment in associates	30,975
	188,377

Notes to Financial Statements

36 Disposal of subsidiaries (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<i>HK\$'000</i>
Total cash consideration	157,402
Cash consideration receivable	(156,564)
Cash and bank balances disposed of	(87,355)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(86,517)

37 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\$12,315,000 (2021: HK\$565,095,000) and HK\$12,315,000 (2021: HK\$530,086,000), respectively, in respect of lease arrangements for properties.
- (ii) During the year, the Group settled an amount of HK\$118,200,000 (2021: 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 26(a)(ii) to the financial statements.
- (iii) During the year ended 31 December 2022, non-controlling equity holders of the Group contributed paid-up capital of HK\$42,913,000 (2021: HK\$46,831,000) by way of asset injection. The amount of HK\$42,913,000 was included in operating concession right as at 31 December 2022 and HK\$46,831,000 was included in receivables under service concession arrangements as at 31 December 2021.
- (iv) As at 31 December 2022, the Group had payables for property, plant and equipment of HK\$29,943,000 (2021: HK\$56,239,000), for investment properties of HK\$144,542,000 (2021: HK\$168,417,000) and for operating concession rights of HK\$1,172,652,000 (2021: HK\$1,201,020,000) which were included in payables, accruals and other liabilities.
- (v) As at 31 December 2022, the Group had dividend payables to non-controlling equity holders of the Group of HK\$380,703,000 (2021: HK\$240,157,000), of which HK\$57,817,000 (2021: HK\$98,769,000) was included in payables, accruals and other liabilities and HK\$322,886,000 (2021: HK\$141,388,000) was included in amounts due to non-controlling equity holders of subsidiaries.

Notes to Financial Statements

37 Notes to the consolidated statement of cash flows (continued)

(b) Changes in liabilities arising from financing activities

	Dividend payables to shareholders <i>HK\$'000</i>	Bank and other borrowings <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>	Amounts due to the ultimate holding company and fellow subsidiaries <i>HK\$'000</i>
At 1 January 2021	–	11,201,845	529,213	5,590
Changes from financing cash flows	(3,888,042)	15,038,824	(72,715)	(5,667)
Dividends	3,888,042	–	–	–
New leases	–	–	530,086	–
Interest expense	–	–	26,973	–
Increase arising from business combinations through acquisition of subsidiaries (note 34)	–	1,712,874	6,542	–
Increase arising from asset acquisitions through acquisition of subsidiaries (note 35)	–	352,330	–	–
Disposal and write-offs	–	–	(16,657)	–
Foreign exchange movement	–	435,480	22,996	77
At 31 December 2021 and at 1 January 2022	–	28,741,353	1,026,438	–
Changes from financing cash flows	(4,004,415)	13,877,576	(73,380)	–
Dividends	4,004,415	–	–	–
New leases	–	–	12,315	–
Lease modification	–	–	(289,552)	–
Interest expense	–	–	32,183	–
Increase arising from business combinations through acquisition of subsidiaries (note 34)	–	259,717	–	–
Increase arising from asset acquisitions through acquisition of subsidiaries (note 35)	–	353,490	8,009	–
Disposal of subsidiaries (note 36)	–	(29,880)	–	–
Disposal and write-offs	–	–	(167)	–
Foreign exchange movement	–	(2,466,668)	(74,940)	–
At 31 December 2022	–	40,735,588	640,906	–

Notes to Financial Statements

37 Notes to the consolidated statement of cash flows (continued)

(c) Cash and cash equivalents

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cash and bank balances as stated in the consolidated statement of financial position as at 31 December (<i>note 25</i>)	8,938,120	9,595,100
Non-pledged time deposits with original maturity of more than three months when acquired (<i>note 25</i>)	(123,555)	(761,473)
Cash and cash equivalents as stated in the consolidated statement of cash flows as at 31 December	8,814,565	8,833,627

(d) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within operating activities	14,436	17,315
Within financing activities	73,380	72,715
	87,816	90,030

38 Contingent liabilities

As at 31 December 2022, 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 2022, the Group's outstanding guarantees amounted to HK\$2,596,836,000 (2021: HK\$898,781,000) for these guarantees.

Notes to Financial Statements

39 Commitments

(a) The Group had the following commitments at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Commitments in respect of property, plant and equipment, investment properties, intangible assets and properties under development: Contracted for	15,276,580	17,015,882
Capital commitments in respect of acquisition of subsidiaries: Contracted for	663,892	–
Capital commitments in respect of capital contribution payable to associates: Contracted for	32,268	71,096
Commitments in respect of project financing payable to an associate: Contracted for	1,761,829	1,924,871

(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 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\$5.322 billion), and project management and maintenance of the Project Roads. At the end of the reporting period, the cumulative development costs in relation to the Yinping PPP Project amounted to RMB1,880,560,000 (equivalent to approximately HK\$2,105,287,000) (2021: RMB1,724,362,000 (equivalent to approximately HK\$2,109,067,000)).

Further details of the Yinping PPP Project are set out in the Company's announcement dated 8 June 2016.



Notes to Financial Statements

40 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	2022 HK\$'000	2021 HK\$'000
Rental income received from Guangdong Holdings and certain subsidiaries of Guangdong Holdings*	(i)	33,321	25,650
Rental income received from GDH Limited#	(i)	12,956	13,276
Water resources related income received from fellow subsidiaries*	(ii)	90,386	38,638
Water resources related income received from an associate	(ii)	34,086	27,490
Dividends paid and payable to GDH Limited and certain subsidiaries of GDH Limited by GH Water Holdings	(iii)	134,907	173,452
Dividends paid and payable to GDH Limited and certain of its subsidiaries by the Company	(iii)	2,262,240	2,196,497
Dividends paid to Guangdong Holdings by WaterCo	(iii)	–	22,643
Interest expenses charged by Guangdong Holdings	(iv)	193,659	93,852
Interest expenses charged by fellow subsidiaries*	(v)	369,128	97,835
Interest expense charged by associates*	(v)	702	–
Sale of electricity to fellow subsidiaries and an associate*	(vi)	187,496	110,094
Sale of electricity to an associate	(vii)	33,249	28,688
Consultancy service fee paid to a fellow subsidiary#	(viii)	59,882	6,818
Property management fee paid to fellow subsidiaries*	(ix)	160,569	105,439
Information service fee paid to fellow subsidiaries#	(x)	9,482	5,597
Proceeds to be received from the disposal of operating concession rights to a fellow subsidiary*	(xi)	70,543	–
Hotel management fees received from fellow subsidiaries	(xii)	5,159	6,689
Interest income received from a fellow subsidiary	(xiii)	22,163	–

* These related party transactions also constitute connected transactions and continuing connected transactions as defined in Rules 14A.23, 14A.31 and 14A.76(2) of the Listing Rules.

These related party transactions also constitute connected transactions and continuing connected transactions as defined in Rules 14A.23, 14A.31 and 14A.76(1) of the Listing Rules.

Notes to Financial Statements

40 Related party transactions (continued)

(a) Transactions with related parties (continued)

Notes:

- (i) The rental income was received in accordance with the terms of the respective agreements.
- (ii) The income on the supply of untreated water was received in accordance with the terms of respective agreements.
- (iii) The dividends paid and payable were made pursuant to the dividend rates proposed and declared at the respective boards of directors and shareholders' meetings.
- (iv) The interest expenses were charged at an effective interest rate of 4.75% and 5.5% per annum (2021: 4.75% per annum).
- (v) The interest expenses were charged at effective interest rates between RMB benchmark 1-year loan prime rate per annum plus 0.15% to 0.95% and 5.85% (2021: RMB benchmark 1-year loan prime rate per annum plus 0.15% to 1.4% and 5.85%) announced by the People's Bank of China.
- (vi) The Group received income from the sale of electricity of HK\$187,496,000 (2021: HK\$110,094,000) to fellow subsidiaries and an associate in accordance with the terms of the agreements, which is net of tax of HK\$24,374,000 (2021: HK\$14,312,000) for the year ended 31 December 2022.
- (vii) The income from the sale of electricity were received in accordance with the terms of the agreement.
- (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 respective agreements.
- (x) The information service fee was charged in accordance with the terms of the agreements entered into between the Group and fellow subsidiaries.
- (xi) The consideration of the disposal was determined based on the asset value of the operating concession rights disposed which was valued by an external valuer.
- (xii) The hotel management fees were charged in accordance with the terms of the agreements entered into between the Group and the respective fellow subsidiaries.
- (xiii) The interest income was arising from bank deposits placed at a non-banking financial institution in the PRC, which is a fellow subsidiary of the Group.

(b) Other transactions with related parties

- (i) On 22 November 2022, the Group entered into several agreements with Guangdong Holdings and 廣東粵海水務股份有限公司 (Guangdong Yuehai Water Co., Ltd.▲) ("Guangdong Yuehai Water") (a wholly-owned subsidiary of Guangdong Holdings), pursuant to which the Group has agreed to purchase equity interests of eight companies of water business segment at a an aggregate cash consideration of RMB795,293,000 (equivalent to approximately HK\$890,331,000). These transactions constituted connected transactions as defined in Chapter 14A of the Listing Rules. Further details are set out in the announcement of the Company dated 22 November 2022. These transactions were completed on 1 January 2023. Management is in the process of assessing the financial impact of these transactions including but not limited to the purchase price allocation as required under HKFRS 3 (Revised), *Business Combinations* as at the approval date of these financial statements.



Notes to Financial Statements

40 Related party transactions (continued)

(b) Other transactions with related parties (continued)

- (ii) On 18 May 2019, the Company, Guangdong Yuehai Water, 江蘇中和永泰建設工程有限公司 (Jiangsu Chunghe Yongtai Construction Engineering Co., Ltd.▲) (“Jiangsu Chunghe Yongtai”), an independent third party, and China First Metallurgical Group Co.Ltd. (“CFMG”), an independent third party, successfully bid for the Yangtze River water diversion project in Xinghua, Jiangsu, the PRC (the “Xinghua Project”), which is 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, Jiangsu Chunghe Yongtai 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 40(a) to the financial statements. Details of the Group’s commitments with related parties are as follows:

As at 31 December 2022:

	Year ending 31 December 2023 HK\$'000	Year ending 31 December 2024 HK\$'000	Year ending 31 December 2025 HK\$'000
Guangdong Holdings	122	–	–
GDH	11,952	7,190	864
Fellow subsidiaries	12,757	8,005	714

As at 31 December 2021:

	Year ending 31 December 2022 HK\$'000	Year ending 31 December 2023 HK\$'000	Year ending 31 December 2024 HK\$'000
Guangdong Holdings	14,951	9,744	–
GDH	11,144	10,104	5,894
Fellow subsidiaries	6,350	4,961	1,382

Notes to Financial Statements

40 Related party transactions (continued)

(d) Outstanding balances with related parties

	Notes	2022 HK\$'000	2021 HK\$'000
Balances due from related parties included in bank balances, receivables, prepayments and other receivables:			
Ultimate holding company	(i)	1,405	2,324
Ultimate holding company	(vii)	240,330	–
Fellow subsidiaries	(i)	226,179	1,463
Fellow subsidiaries	(ii)	18,573	14,017
Associates	(i)	2,981	3,969
Associates	(ii)	27,666	10,922
Deposits placed at a fellow subsidiary	(v)	2,902,874	3,266,753
Balances due to related parties included in payables, accruals and other liabilities:			
Immediate holding company	(i)	34,737	44,509
Ultimate holding company	(iii)	278,309	125,323
Fellow subsidiaries	(i)	324,465	907,595
Fellow subsidiaries	(ii)	57,054	13,814
Associates	(i)	4,083	1,319
An associate	(ii)	26,044	–
Loans from the ultimate holding company	(vi)	4,189,169	2,130,640
Loans from fellow subsidiaries	(iv)	8,765,148	2,004,519

Notes to Financial Statements

40 Related party transactions (continued)

(d) Outstanding balances with related parties (continued)

Notes:

- (i) The balances due are unsecured, non-interest-bearing and have no specific terms of repayment.
- (ii) The balances due are unsecured, non-interest-bearing and repayable within 30 days.
- (iii) Included in the balance was HK\$4,788,000 (2021: HK\$7,071,000) 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) Balance included a loan of HK\$268,680,000 (2021: HK\$318,006,000) secured by the pledge of revenue entitlement under a sewage treatment concession arrangement and interest-bearing at 0.2% plus the RMB benchmark 1-year loan prime rate per annum (2021: 0.2% plus the RMB benchmark 1-year loan prime rate per annum) announced by the People's Bank of China. The loan is repayable within 3 years from 25 June 2020. Loan of HK\$334,731,000 (2021: Nil) represented a loan from a fellow subsidiary which is secured and interest-bearing at 0.15% plus the RMB benchmark 1-year loan prime rate per annum. This loan is repayable within three years. The remaining balances of HK\$8,161,737,000 (2021: HK\$1,686,513,000) represented loans from fellow subsidiaries which are unsecured and interest-bearing ranging from RMB benchmark 1-year loan prime rate plus 0.15% per annum by the People's Bank of China to 5.85% (2021: RMB benchmark 1-year loan prime rate per annum plus 0.15% per annum announced by the People's Bank of China to 5.85%). These loans are repayable within 1 to 5 years.
- (v) The balance represented bank deposits placed at a fellow subsidiary, a non-banking financial institution in the PRC. The balance due is unsecured, with 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 loans are unsecured, interest-bearing at effective interest rates of 4.75% and 5.5% per annum (2021: 4.75% per annum) and repayable within two years.
- (vii) Balance represented a prepayment of HK\$240,330,000 (2021: Nil) to Guangdong Holdings for subsequent acquisition of subsidiaries.

(e) Compensation of key management personnel of the Group

	2022 HK\$'000	2021 HK\$'000
Short term employee benefits	10,158	8,784
Post-employment benefits	1,564	1,435
Total compensation paid to key management personnel	11,722	10,219

Further details of directors' emoluments are included in note 8 to the financial statements.

Notes to Financial Statements

41 Pledge of assets

Details of the Group's assets, which are pledged for the Group's bank and other borrowings, are set out in notes 14, 19, 21 and 28 to these financial statements.

42 Defined benefit obligations

The Group operates unfunded defined benefit plans for certain qualifying employees in Mainland China. Under the plan, the employees are entitled to retirement benefits at rates varying from 40% to 45% of their final salaries on attainment of retirement ages ranging from 50 to 60.

The plan is exposed to interest rate risk and the risk of changes in the life expectancy for pensioners.

The most recent actuarial valuations of the present value of the defined benefit obligations were carried out on 31 December 2021 by Aon Empower Result, a member of the Society of Actuaries, using the project unit credit actuarial valuation method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2022	2021
Discount rate	2.88% – 3.08%	3.35% – 3.50%
Expected rate of salary increases	10.00%	9.50% – 10.00%

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

	Increase in rate %	Increase/ (decrease) in defined benefit obligations %	Decrease in rate %	Increase/ (decrease) in defined benefit obligations %
2022				
Discount rate	0.25	(4)	0.25	4
2021				
Discount rate	0.25	(5)	0.25	5

Notes to Financial Statements

42 Defined benefit obligations (continued)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The total expenses recognised in the consolidated statement of profit or loss in respect of the plan are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current service cost	3,434	4,954
Interest cost	3,937	4,592
Net benefit expenses	7,371	9,546
Recognised in administrative expenses	3,434	4,954
Recognised in finance costs (<i>note 7</i>)	3,937	4,592
	7,371	9,546

The movements in the present value of the defined benefit obligations are as follows:

	<i>HK\$'000</i>
At 1 January 2021	–
Business combinations through acquisition of subsidiaries	115,869
Current service cost	4,954
Interest cost	4,592
Benefit paid	(606)
Actuarial losses	5,705
Exchange differences	3,630
At 31 December 2021 and 1 January 2022	134,144
Current service cost	3,434
Interest cost	3,937
Benefit paid	(1,966)
Actuarial gains	(6,591)
Exchange differences	(10,638)
At 31 December 2022	122,320

The expected maturity of expected benefit payment are over 1 year. The average duration of the defined benefit obligations at the end of the reporting period is 15 years (2021: 12 years).

Notes to Financial Statements

42 Defined benefit obligations (continued)

The movements in the defined benefit obligations are as follows:

2022

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Pension cost charged to profit or loss					Remeasurement losses/(gains) in other comprehensive income					31 December 2022 HK\$'000
	1 January 2022 HK\$'000	Service cost HK\$'000	Net interest expense HK\$'000	Sub-total included in profit or loss HK\$'000	Benefit paid HK\$'000	Exchange differences HK\$'000	Actuarial changes arising from changes in financial assumptions HK\$'000	Experience adjustments HK\$'000	Sub-total included in other comprehensive income HK\$'000	Contribution by employer HK\$'000	
Defined benefit obligations	134,144	3,434	3,937	7,371	(1,966)	(10,638)	1,149	(7,740)	(6,591)	-	122,320

2021

	Business combinations through acquisition of subsidiaries 1 January 2021 HK\$'000	Pension cost charged to profit or loss				Remeasurement losses/(gains) in other comprehensive income					31 December 2021 HK\$'000	
		Service cost HK\$'000	Net interest expense HK\$'000	Sub-total included in profit or loss HK\$'000	Benefit paid HK\$'000	Exchange differences HK\$'000	Actuarial changes arising from changes in financial assumptions HK\$'000	Experience adjustments HK\$'000	Sub-total included in other comprehensive income HK\$'000	Contribution by employer HK\$'000		
Defined benefit obligations	-	115,869	4,954	4,592	9,546	(606)	3,630	12,534	(6,829)	5,705	-	134,144

Notes to Financial Statements

43 Financial instruments by category

Financial assets

2022

	Equity investments at fair value through other comprehensive income HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
Receivables under a cooperative arrangement	–	2,139,111	2,139,111
Equity investments designated at fair value through other comprehensive income	55,039	–	55,039
Financial assets included in receivables under service concession arrangements	–	12,684,474	12,684,474
Financial assets included in receivables, prepayments and other receivables	–	3,397,718	3,397,718
Due from non-controlling equity holders of subsidiaries	–	918,079	918,079
Restricted bank balances	–	583,074	583,074
Cash and bank balances	–	8,938,120	8,938,120
	55,039	28,660,576	28,715,615

2021

	Equity investments at fair value through other comprehensive income HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
Receivables under a cooperative arrangement	–	2,346,599	2,346,599
Equity investments designated at fair value through other comprehensive income	30,568	–	30,568
Financial assets included in receivables under service concession arrangements	–	12,736,977	12,736,977
Financial assets included in receivables, prepayments and other receivables	–	2,683,303	2,683,303
Due from non-controlling equity holders of subsidiaries	–	849,731	849,731
Restricted bank balances	–	469,412	469,412
Cash and bank balances	–	9,595,100	9,595,100
	30,568	28,681,122	28,711,690

Notes to Financial Statements

43 Financial instruments by category (continued)

Financial Liabilities

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Financial liabilities included in payables, accruals and other liabilities	13,068,657	21,032,245
Due to non-controlling equity holders of subsidiaries	785,969	1,196,047
Bank and other borrowings	40,735,588	28,741,353
Lease liabilities	640,906	1,026,438
	55,231,120	51,996,083

44 Fair value hierarchy of financial instruments

Aside from the non-current portion of receivables under a cooperative arrangement, the non-current portion of financial assets included in receivables under service concession arrangements, the non-current portion of financial assets included in receivables, prepayments and other receivables, the non-current portion of financial liabilities included in payables, accruals and other liabilities, the non-current portion of bank and other borrowings, the non-current portion of amounts due to non-controlling equity holders of subsidiaries, the non-current portion of lease liabilities and the equity investments 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 2022 and 31 December 2021 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 non-current portion of 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 financial liabilities included in payables, accruals and other liabilities, the non-current portion of bank and other borrowings, the non-current portion of amounts due to non-controlling equity holders of subsidiaries 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 2022 and 2021 was assessed to be insignificant. The carrying amounts of these assets and liabilities approximate to their fair values.

The fair value of unlisted equity investments 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 calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple, price to sales ("P/S") 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 investments 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.

Notes to Financial Statements

44 Fair value hierarchy of financial instruments (continued)

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.

Below is a summary of significant unobservable inputs to the valuation of financial instruments in Level 3 as at 31 December 2022 and 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Market multiples	Average P/S multiple of peers	2022: 1.61 (2021: N/A)	The higher the multiple, the higher the fair value
		Average P/E multiple of peers	2022: N/A (2021: 7.07)	The higher the multiple, the higher the fair value
		Discount for lack of marketability	2022: 13.26% (2021: 26.45%)	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			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 31 December 2022				
Equity investments designated at fair value through other comprehensive income	–	17,389	37,650	55,039
As at 31 December 2021				
Equity investments designated at fair value through other comprehensive income	–	18,958	11,610	30,568

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 (2021: Nil).

Notes to Financial Statements

44 Fair value hierarchy of financial instruments (continued)

Fair value hierarchy

The movements during the year in the balance of the Level 3 financial instruments are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Equity investments at fair value through other comprehensive income:		
At 1 January	11,610	15,031
Total losses recognised in other comprehensive income	–	(3,804)
Additions	37,650	–
Disposal of subsidiaries (<i>note 36</i>)	(11,563)	–
Exchange realignment	(47)	383
At 31 December	37,650	11,610

45 Financial risk management objectives and policies

The Group's principal financial instruments, comprise bank and other borrowings, other financial assets at amortised cost, cash and bank balances, 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\$323,646,000 for the year ended 31 December 2022. Whereas, a general decrease of 10 basis points in the interest rate would have increased the Group's profit before tax by HK\$32,365,000 for the year ended 31 December 2022.

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\$285,598,000 for the year ended 31 December 2021. Whereas, a general decrease of 10 basis points in the interest rate would have increased the Group's profit before tax by HK\$28,560,000 for the year ended 31 December 2021.

Notes to Financial Statements

45 Financial risk management objectives and policies (continued)

(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 the RMB exchange rate by three percent, the Group's profit before tax would have increased by HK\$60,460,000 for the year ended 31 December 2022. Whereas, if the Hong Kong dollar weakened against the RMB exchange rate by three percent, the Group's profit before tax would have decreased by HK\$60,460,000 for the year ended 31 December 2022.

With all other variables held constant, if the Hong Kong dollar strengthened against the RMB exchange rate by three percent, the Group's profit before tax would have increased by HK\$61,745,000 for the year ended 31 December 2021. Whereas, if the Hong Kong dollar weakened against the RMB exchange rate by three percent, the Group's profit before tax would have decreased by HK\$61,745,000 for the year ended 31 December 2021.

(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.

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 the end of the reporting period. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

Notes to Financial Statements

45 Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
31 December 2022					
Trade receivables*	-	-	-	2,758,865	2,758,865
Receivables under a cooperative arrangement	2,139,111	-	-	-	2,139,111
Due from associates	30,647	-	-	-	30,647
Due from non-controlling equity holders of subsidiaries	918,079	-	-	-	918,079
Receivables and contract assets under service concession arrangements	20,603,369	-	-	-	20,603,369
Financial assets and contract assets included in receivables, prepayments and other receivables					
– Normal**	644,103	-	-	591,574	1,235,677
Restricted bank balances					
– Not yet past due	583,074	-	-	-	583,074
Cash and bank balances					
– Not yet past due	8,938,120	-	-	-	8,938,120
	33,856,503	-	-	3,350,439	37,206,942

Notes to Financial Statements

45 Financial risk management objectives and policies (continued)

(iii) Credit risk (continued)

31 December 2021	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified	
	HK\$'000	HK\$'000	HK\$'000	approach	HK\$'000
Trade receivables*	–	–	–	2,188,942	2,188,942
Receivables under a cooperative arrangement	2,346,599	–	–	–	2,346,599
Due from associates	14,891	–	–	–	14,891
Due from non-controlling equity holders of subsidiaries	849,731	–	–	–	849,731
Receivables and contract assets under service concession arrangements	18,478,212	–	–	–	18,478,212
Financial assets and contract assets included in receivables, prepayments and other receivables					
– Normal**	533,866	–	–	524,700	1,058,566
Restricted bank balances					
– Not yet past due	469,412	–	–	–	469,412
Cash and bank balances					
– Not yet past due	9,595,100	–	–	–	9,595,100
	32,287,811	–	–	2,713,642	35,001,453

* For trade receivables to which the Group applies the simplified approach for estimating loss allowance, information based on the provision matrix is disclosed in note 24 to the financial statements.

** The credit quality of the financial assets included in receivables, 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 38, 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 38.

Notes to Financial Statements

45 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/ less than 1 year HK\$'000	1 to 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000
31 December 2022				
Financial liabilities included in payables, accruals and other liabilities	12,059,221	1,009,436	–	13,068,657
Due to non-controlling equity holders of subsidiaries	672,969	113,000	–	785,969
Bank and other borrowings	11,019,270	25,074,289	9,783,730	45,877,289
Lease liabilities	97,005	264,956	572,694	934,655
	23,848,465	26,461,681	10,356,424	60,666,570
	On demand/ less than 1 year HK\$'000	1 to 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000
31 December 2021				
Financial liabilities included in payables, accruals and other liabilities	19,785,207	1,247,039	–	21,032,246
Due to non-controlling equity holders of subsidiaries	1,080,315	115,732	–	1,196,047
Bank and other borrowings	7,739,404	17,557,868	6,769,277	32,066,549
Lease liabilities	112,796	548,791	792,700	1,454,287
	28,717,722	19,469,430	7,561,977	55,749,129



Notes to Financial Statements

45 Financial risk management objectives and policies (continued)

(iv) Liquidity risk (continued)

The Group is exposed to liquidity risk that arises from financial guarantees as set out in note 38 to the financial statements. As at 31 December 2022, 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\$2,596,836,000 (2021: HK\$898,781,000).

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 2022 and 2021.

The Group monitors capital using a net debt to adjusted capital ratio which is net debt divided by total adjusted capital, taking into account future financial obligations and commitments. Net debt includes amounts due to non-controlling equity holders of subsidiaries and bank and other borrowings, less cash and bank balances.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Due to non-controlling equity holders of subsidiaries	785,969	1,196,047
Bank and other borrowings	40,735,588	28,741,353
Less: Cash and bank balances	(8,938,120)	(9,595,100)
Net debt	32,583,437	20,342,300
Equity attributable to owners of the Company	43,328,642	46,210,698
Net debt to adjusted capital ratio	75%	44%

Notes to Financial Statements

46 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:

	2022 HK\$'000	2021 HK\$'000
Non-current assets		
Property, plant and equipment	3,283	4,477
Investments in subsidiaries	17,394,197	17,284,827
Investments in associates	351,691	467,880
Total non-current assets	17,749,171	17,757,184
Current assets		
Amounts due from subsidiaries	11,458,858	11,563,610
Receivables, prepayments and other receivables	3,728	1,008
Cash and bank balances	408,076	71,714
Total current assets	11,870,662	11,636,332
Current liabilities		
Amounts due to subsidiaries	(4,912,869)	(5,451,410)
Payables, accruals and other liabilities	(119,660)	(101,684)
Tax payable	(2,237)	(1,716)
Bank borrowings	(4,170,000)	(3,260,000)
Total current liabilities	(9,204,766)	(8,814,810)
Net current assets	2,665,896	2,821,522
Total assets less current liabilities	20,415,067	20,578,706
Non-current liabilities		
Deferred tax liabilities	(54,114)	(51,192)
Bank borrowings	(2,994,250)	(2,991,247)
Total non-current liabilities	(3,048,364)	(3,042,439)
NET ASSETS	17,366,703	17,536,267
Equity		
Share capital	8,966,177	8,966,177
Reserves (note)	8,400,526	8,570,090
Total equity	17,366,703	17,536,267

Hou Wailin
Director

Liang Yuanjuan
Director

Notes to Financial Statements

46 Statement of financial position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021	1,733,711	(14,813)	5,252,585	6,971,483
Total comprehensive income for the year	–	–	5,486,649	5,486,649
Final 2020 dividend paid	–	–	(2,700,120)	(2,700,120)
Interim 2021 dividend paid	–	–	(1,187,922)	(1,187,922)
At 31 December 2021 and 1 January 2022	1,733,711	(14,813)	6,851,192	8,570,090
Total comprehensive income for the year	–	–	3,834,851	3,834,851
Final 2021 dividend paid	–	–	(2,781,189)	(2,781,189)
Interim 2022 dividend paid	–	–	(1,223,226)	(1,223,226)
At 31 December 2022	1,733,711	(14,813)	6,681,628	8,400,526

47 Event after reporting period

On 22 November 2022, the Group entered into several agreements with Guangdong Holdings and Guangdong Yuehai Water, pursuant to which the Group has agreed to purchase equity interests of eight companies of water business segment at an aggregate cash consideration of RMB795,293,000 (equivalent to approximately HK\$890,331,000). Further details are set out in the announcement of the Company dated 22 November 2022. These transactions were completed on 1 January 2023. Management is in the process of assessing the financial impact of these transactions including but not limited to the purchase price allocation as required under HKFRS 3 (Revised), *Business Combinations* as at the approval date of these financial statements.

48 Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

During the year, the Group had the following connected transactions which are required to be disclosed in the annual report in accordance with the disclosure requirements of the Listing Rules. The transactions described in B(a) to B(k) below (collectively the “Transactions”) are continuing connected transactions subject to annual review requirements under Rules 14A.55 to 14A.59 of the Listing Rules and reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

Details of the Transactions during the year were as follows:

A. Connected Transactions

(a) Disposal of Equity Interests in Four Subsidiaries

On 27 May 2022, the Company and its subsidiaries entered into five equity transfer agreements with 廣東粵海水務科技有限公司 (Guangdong Water Technology Co., Ltd.) (“Guangdong Water Technology”), a subsidiary of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited, the ultimate controlling shareholder of the Company) (“Guangdong Holdings”), which were summarized as follows:

- (i) 哈爾濱粵海水務科技有限公司 (Harbin Guangdong Water Technology Co., Ltd., a non-wholly owned subsidiary of the Company) agreed to transfer 54% equity interest in 哈爾濱工業大學水資源國家工程研究中心有限公司 (Harbin Technology University Water Resources National Engineering Research Centre Company Limited) to Guangdong Water Technology at a consideration of RMB71,784,200;
- (ii) 廣東粵海水務投資有限公司 (Guangdong Yuehai Water Investment Company Limited, a wholly-owned subsidiary of the Company) (“Guangdong Water Investment”), agreed to transfer 49% equity interest in 粵海水資源工程研究中心(廣東)有限公司 (Guangdong Water Resources Engineering Research Centre (Guangdong) Company Limited) to Guangdong Water Technology at a consideration of RMB1;
- (iii) Guangdong Water Investment agreed to transfer 51% equity interest in 深圳市科榮軟件股份有限公司 (Shenzhen Kerong Software Co., Ltd.) (“Kerong Software”) to Guangdong Water Technology at a consideration of RMB39,031,300;
- (iv) 深圳市海潤水業有限責任公司 (Shenzhen Hairun Water Industry Co., Ltd., a wholly-owned subsidiary of the Company) agreed to transfer 95% equity interest in 廣東粵海水務檢測技術有限公司 (Guangdong Water Testing Technology Co., Ltd.) (“Guangdong Water Testing”) to Guangdong Water Technology at a consideration of RMB6,188,000; and
- (v) Guangdong Water Investment agreed to transfer 5% equity interest in Guangdong Water Testing to Guangdong Water Technology at a consideration of RMB325,700.

(b) Acquisition of 85% equity interest in Comic City

- (i) On 31 May 2022, 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited, an indirect non-wholly owned subsidiary of the Company) (“GDH Teem”) (as purchaser) and Guangdong Holdings and 廣州粵海仰忠匯置業有限公司 (Guangzhou Yuehai Yangzhonghui Land Co., Ltd., a direct wholly-owned subsidiary of Guangdong Holdings) (“Yuehai Yangzhonghui”) (Guangdong Holdings and Yuehai Yangzhonghui together as sellers), entered into an equity transfer agreement, pursuant to which GDH Teem had agreed to purchase, and the sellers had agreed to sell, 85% of the total equity interest of 廣州粵海動漫星城有限公司 (Guangzhou Comic City Co., Ltd.) (“Comic City”), representing an aggregate of 85% equity interests in Comic City, for the total consideration of RMB767,594,115 in cash, subject to adjustment (if any) in accordance with the terms of the equity transfer agreement.

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

A. Connected Transactions (continued)

(b) Acquisition of 85% equity interest in Comic City (continued)

- (ii) On 30 July 2021, Comic City entered into a loan agreement the (“Loan Agreement”) with 粵海集團財務有限公司 (GDH Finance Co., Ltd) (“GDH Finance”), pursuant to which GDH Finance had agreed to provide a term loan to Comic City in the principal amount of RMB320,000,000 repayable on the date falling three years from the drawdown date (being 3 August 2021). Comic City’s obligations for repayment of the term loan (and the other outstanding amounts thereunder) were secured by the charge granted by Comic City in favor of GDH Finance over part of a shopping mall in Guangzhou City held by Comic City. As at 31 December 2022, the outstanding principal amount under the Loan Agreement was RMB299,000,000.

(c) Acquisition of Equity interests in Eight Companies

On 22 November 2022, four subsidiaries of the Company entered into five equity transfer agreements with Guangdong Holdings and 廣東粵海水務股份有限公司 (Guangdong Yuehai Water Co., Ltd., a wholly-owned subsidiary of Guangdong Holdings) (“Guangdong Yuehai Water”), which were summarized as follows:

- (i) Guangdong Water Investment and Guangdong Holdings entered into an equity transfer agreement, pursuant to which Guangdong Water Investment had agreed to purchase a majority interest in the equity capital of each of 中山市新涌口粵海水務有限公司 (Zhongshan Xinyongkou Yuehai Water Co., Ltd.) (“Zhongshan Xinyongkou”), 中山市南鎮粵海水務有限公司 (Zhongshan Nanzhen Yuehai Water Co., Ltd.) (“Zhongshan Nanzhen”), 中山市橫欄粵海水務有限公司 (Zhongshan Henglan Yuehai Water Co., Ltd.) (“Zhongshan Henglan”) and 清遠市龍塘粵海水務有限公司 (Qingyuan Longtang Yuehai Water Co., Ltd.) (“Qingyuan Longtang”), from Guangdong Holdings for an aggregate consideration of RMB214,675,830 in cash, subject to adjustment (if any) in accordance with the terms of the equity transfer agreement;
- (ii) Guangdong Water Investment and Guangdong Yuehai Water entered into an equity transfer agreement, pursuant to which Guangdong Water Investment had agreed to purchase 100% equity interest of 東莞常平粵海水務有限公司 (Dongguan Changping Yuehai Water Co., Ltd.) (“Changping Water”) from Guangdong Yuehai Water for the consideration of RMB463,931,700 in cash, subject to adjustment (if any) in accordance with the terms of the equity transfer agreement;
- (iii) 深圳粵港工程技術服務有限公司 (Shenzhen Yue Gang Engineering Services Limited, a wholly-owned subsidiary of the Company) (“Yue Gang Engineering”) and Guangdong Yuehai Water entered into an equity transfer agreement, pursuant to which Yue Gang Engineering had agreed to purchase 99% equity interest of 東莞市常粵水務工程有限公司 (Dongguan Changyue Water Engineering Co., Ltd.) (“Changyue Engineering”) from Guangdong Yuehai Water for the consideration of RMB25,459,929 in cash, subject to adjustment (if any) in accordance with the terms of the equity transfer agreement;
- (iv) Guangdong Water Holdings Limited (a wholly-owned subsidiary of the Company) (“Water Holdings”) and Guangdong Yuehai Water entered into an equity transfer agreement, pursuant to which Water Holdings had agreed to purchase 11% equity interest of 廣州南沙粵海水務有限公司 (Guangzhou Nansha Yuehai Water Co., Ltd.) (“Nansha Water”) from Guangdong Yuehai Water for the consideration of RMB66,189,398 in cash, subject to adjustment (if any) in accordance with the terms of the equity transfer agreement; and



Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

A. Connected Transactions *(continued)*

(c) Acquisition of Equity interests in Eight Companies *(continued)*

- (v) 五華粵海環保有限公司 (Wuhua Yuehai Environmental Protection Limited, a wholly-owned subsidiary of the Company) ("Wuhua Environmental") and Guangdong Yuehai Water entered into an equity transfer agreement, pursuant to which Wuhua Environmental had agreed to purchase 11% equity interest of 廣州南粵市政工程有限公司 (Guangzhou Nanyue Municipal Engineering Co., Ltd.) ("Nanyue Engineering") from Guangdong Yuehai Water for the consideration of RMB25,036,022 in cash, subject to adjustment (if any) in accordance with the terms of the equity transfer agreement.

B. Continuing Connected Transactions

(a) Tenancy and Related Agreements

- (i) On 30 September 2020, GDH Teem, a non-wholly owned subsidiary of the Company, as landlord and Guangdong Holdings as tenant entered into the tenancy agreement in relation to the leasing of 42nd and 45th Floors of Teem Tower for a term of three years commencing on 1 October 2020 at a monthly rent of RMB442,583.05 for the first two months and RMB885,166.10 for the remaining term. The said tenancy agreement was terminated on 31 December 2022;
- (ii) On 29 August 2019, GDH Teem as landlord and Guangdong Holdings as tenant entered into a tenancy agreement in relation to the leasing 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. On 1 September 2021, Guangdong Holdings terminated the existing tenancy agreement. On the same day, GDH Teem as landlord and Guangdong Holdings as tenant entered into a tenancy agreement in relation to the leasing of the premises on Unit 07-1 of 31st Floor of Teem Tower as office premises for a term of ten months commencing on 1 September 2021 and expiring on 31 July 2022 at a monthly rent of RMB6,801.60 for the first eight months and RMB3,400.80 for the remaining term; and
- (iii) On 31 March 2020, GDH Teem as landlord and 廣東粵海融資租賃有限公司 (GDH Financial Leasing Co., Ltd) ("GDH Leasing"), a wholly-owned subsidiary of GDH Limited ("GDH"), as tenant entered into a tenancy agreement in relation to the leasing of the premises on Units 06 of 28th Floor of Teem Tower as office premises for a term of three years commencing on 1 April 2020 at a monthly rent of RMB28,917.52 for the first two months and RMB57,835.05 for the remaining term.

Under the above tenancy agreements, Guangdong Holdings and GDH Leasing, were also required to pay management fees and other expenses in relation to the said premises to 廣東粵海天河城商業管理有限公司 (GDH Teem Commercial Management Co., Ltd.) ("Teem Management Co."), a subsidiary of Guangdong Holdings, 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 and GDH Leasing in connection with its occupation of the said premises.

During the year ended 31 December 2022, the total amounts received in accordance with the terms of the above tenancy agreements amounted to approximately RMB11,354,000. The annual cap for the above tenancy agreements was RMB17,000,000 per the Company's announcement dated 30 September 2020.

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

B. Continuing Connected Transactions (continued)

(b) Changping Water Supply Agreement

On 4 December 2020, Guangdong Yue Gang Water Supply Company Limited (“WaterCo”) renewed an agreement (the “Changping Agreement”) with Changping Water, an indirect wholly-owned subsidiary of Guangdong Holdings, pursuant to which WaterCo had agreed to supply untreated water to Changping Water for a term of two years commencing on 1 January 2021 and expiring on 31 December 2022.

During the year ended 31 December 2022, total income generated by WaterCo from the provision of water in accordance with the terms of the Changping Agreement amounted to approximately RMB30,097,000. The annual cap of the Changping Agreement was RMB35,000,000 per the Company’s announcement dated 4 December 2020.

(c) Electricity Transaction Agreements

(i) On 2 December 2020, 中山粵海能源服務有限公司 (Zhongshan GDH Energy Service Co., Ltd.) (“GDH Energy Service”), an indirect subsidiary of the Company, entered into an agreement (the “Zhongyue Tinplate 2021-23 Electricity Transaction Agreement”) with 粵海中粵(中山)馬口鐵工業有限公司 (GDH Zhongyue (Zhongshan) Tinplate Industrial Co., Ltd.) (“Zhongyue Tinplate”), a wholly-owned subsidiary of GDH Guangnan (Holdings) Limited, which is a 59.19% owned subsidiary of GDH. Pursuant to the Zhongyue Tinplate 2021-23 Electricity Transaction Agreement, GDH Energy Service had agreed to supply, and Zhongyue Tinplate had 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) (“Guangdong Power Grid”) on a continuing basis for the period from 1 January 2021 to 31 December 2023. The Zhongyue Tinplate 2021-23 Electricity Transaction Agreement was terminated with effect from 1 January 2022;

On 2 December 2020, GDH Energy Service entered into an agreement (the “Nansha Water 2021-23 Electricity Transaction Agreement”) with Nansha Water, a company indirectly owned by the Company and Guangdong Holdings as to 49% and 11%, respectively. Pursuant to the Nansha Water 2021-23 Electricity Transaction Agreement, GDH Energy Service had agreed to supply, and Nansha Water had agreed to purchase, electricity through the power grid operated by 廣州供電局有限公司 (Guangzhou Power Supply Co. Ltd.) (“Guangzhou Power”) on a continuing basis for the period from 1 January 2021 to 31 December 2023. The Nansha Water 2021-23 Electricity Transaction Agreement was terminated with effect from 1 January 2022;

On 2 December 2020, GDH Energy Service entered into an agreement (the “Changping Water 2021-23 Electricity Transaction Agreement”) with Changping Water, an indirect wholly-owned subsidiary of Guangdong Holdings. Pursuant to the Changping Water 2021-23 Electricity Transaction Agreement, GDH Energy Service had agreed to supply, and Changping Water had agreed to purchase, electricity through the power grid operated by Guangdong Power Grid on a continuing basis for the period from 1 January 2021 to 31 December 2023. The Changping Water 2021-23 Electricity Transaction Agreement was terminated with effect from on 1 January 2022;

On 2 December 2020, GDH Energy Service entered into an agreement (the “Teem Management Co. 2021-23 Electricity Transaction Agreement”) with Teem Management Co., an indirect non-wholly owned subsidiary of Guangdong Holdings. Pursuant to the Teem Management Co. 2021-23 Electricity Transaction Agreement, GDH Energy Service had agreed to supply, and Teem Management Co. had agreed to purchase, electricity through the power grid operated by Guangzhou Power on a continuing basis for the period from 1 January 2021 to 31 December 2023. The Teem Management Co. 2021-23 Electricity Transaction Agreement was terminated with effect from 1 January 2022;

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

B. Continuing Connected Transactions (continued)

(c) Electricity Transaction Agreements (continued)

(i) (continued)

On 2 December 2020, GDH Energy Service entered into an agreement (the “Huajin Technology 2021-23 Electricity Transaction Agreement”) with 廣東粵海華金科技股份有限公司 (Guangdong Yuehai Huajin Technology Co., Ltd) (“Huajin Technology”), a non-wholly owned subsidiary of Guangdong Holdings. Pursuant to the Huajin Technology 2021-23 Electricity Transaction Agreement, GDH Energy Service had agreed to supply, and Huajin Technology had agreed to purchase, electricity through the power grid operated by Guangdong Power Grid on a continuing basis for the period from 1 January 2021 to 31 December 2023. The Huajin Technology 2021-23 Electricity Transaction Agreement was terminated with effect from 1 January 2022;

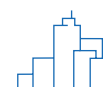
- (ii) On 16 December 2021, GDH Energy Service entered into an electricity transaction agreement with each of 茂名粵海水務有限公司 (Mouming Water Company Limited[▲]) and 粵海物業管理有限公司 (Yuehai Property Management Company Limited[▲]) (“Yuehai Property Management”), which were subsidiaries of Guangdong Holdings for supply of electricity by GDH Energy Service for the term of one year from 1 January 2022 to 31 December 2022;

On 30 December 2021, GDH Energy Service entered into an electricity transaction agreement with each of Changping Water, Huajin Technology, Nansha Water, Teem Management Co., 潮州粵海水務有限公司 (Chaozhou GDH Water Company Limited[▲]), 湛江開發區東海島自來水有限公司 (Zhangjiang Development Zone Donghaidou Water Company Limited[▲]), Zhongshan Henglan, 羅定粵海水務有限公司 (Luoding GDH Water Company Limited[▲]), Zhongshan Nanzhen, Qingyuan Longtang, 饒平粵海水務有限公司 (Raoping GDH Water Company Limited[▲]), 汕頭市潮南粵海環保有限公司 (Shantou City Chaonan GDH Environmental Company Limited[▲]), 廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Limited[▲]) (“Wanye”), Zhongshan Xinyongkou, Yuehai Yangzhonghui, 湛江市粵海自來水有限公司 (Zhangjiang GDH Tap Water Company Limited[▲]), and 肇慶市肇水污水處理有限公司高新區分公司 (Zhaoqing Zhaoshui Sewage Treatment Company Limited Gaoxin District Branch[▲]), which were associates (as defined under the Listing Rules) of Guangdong Holdings for supply of electricity by GDH Energy Service for the term of one year from 1 January 2022 to 31 December 2022;

On 30 December 2021, GDH Energy Service entered into an electricity transaction agreement with Zhongyue Tinplate for supply of electricity by GDH Energy Service for the term of six months from 1 January 2022 to 30 June 2022;

During the year ended 31 December 2022, the total amount received in accordance with the terms of the above electricity transaction agreements amounted to approximately RMB230,740,000. The aggregated annual caps of the above electricity transaction agreements was RMB259,000,000 per the Company’s announcement dated 30 December 2021.

- (iii) On 28 October 2022, GDH Energy Service and Guangdong Yuehai Water entered into an agreement (the “Electricity Service Framework Agreement”) in relation to the supply of electricity in the People’s Republic of China (the “PRC”) by 中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.[▲]) (an indirect non-wholly owned subsidiary of the Company), GDH Energy Service and their respective subsidiary(ies) (through the power grid operated by the relevant power grid operation company(ies) as authorised to transmit and distribute electricity in the Guangdong Province, the PRC to (i) Guangdong Yuehai Water, Guangdong Holdings and their respective associate(s) (but for the purpose of the Electricity Service Framework Agreement, save for the connected subsidiary(ies) of the Company as set out in (ii) below, excluding the members of the Group); and (ii) the connected subsidiary(ies) of the Company for the period from 1 January 2023 to 31 December 2025.



Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

B. Continuing Connected Transactions *(continued)*

(c) Electricity Transaction Agreements *(continued)*

(iii) *(continued)*

The annual caps of the Electricity Service Framework Agreement for the years ending 31 December 2023, 2024 and 2025 are RMB330,000,000, RMB720,000,000 and RMB830,000,000, respectively per the Company's announcement dated 28 October 2022.

(d) Financial Services Framework Agreement

(i) On 27 April 2016, Comic City (an indirect non-wholly owned and connected subsidiary of the Company upon the completion of acquisition as disclosed in paragraph (b) above) and GDH Finance entered into a deposit services and settlement services agreement, pursuant to which GDH Finance had agreed to provide cash deposit services and settlement services to Comic City. In respect of the settlement services provided by GDH Finance to Comic City, no service fee will be charged by GDH Finance.

(ii) On 8 September 2021, 9 November 2021, 8 September 2021, 18 February 2016, 25 February 2020 and 11 August 2016, each of Zhongshan Xinyongkou, Zhongshan Nanzhen, Zhongshan Henglan, Changping Water, Changyue Engineering and Nansha Water (subsidiaries of the Company upon the completion of acquisition as disclosed in paragraph (c) of this note) entered into the deposit services and settlement services agreements with GDH Finance, respectively, pursuant to which GDH Finance had agreed to provide cash deposit services and settlement services to the abovementioned companies;

On 8 September 2021, 9 November 2021, 8 September 2021, 26 May 2021, 18 February 2016, 25 February 2020 and 11 August 2016, each of Zhongshan Xinyongkou, Zhongshan Nanzhen, Zhongshan Henglan, Qingyuan Longtang, Changping Water, Changyue Engineering and Nansha Water (subsidiaries of the Company upon the completion of acquisition as disclosed in paragraph (c) of this note) entered into the corporate deposit services agreements with GDH Finance, respectively, pursuant to which GDH Finance had agreed to provide corporate deposit services to the abovementioned companies;

On 8 April 2021, 29 December 2021 and 28 July 2022, each of Changping Water, Changyue Engineering and Nanyue Engineering (subsidiaries of the Company upon the completion of acquisition as disclosed in paragraph (c) above) had entered into the bills of exchange payment services agreements with GDH Finance, respectively, pursuant to which GDH Finance had agreed to provide services for the acceptance, and assisting in the payment, of the commercial bills of exchange issued by the abovementioned companies;

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

B. Continuing Connected Transactions *(continued)*

(d) Financial Services Framework Agreement *(continued)*

- (iii) On 1 September 2021, the Company entered into the Financial Services Framework Agreement in relation to (i) utilising certain financial services including the loan services; (ii) deposit services; (iii) guarantee services; (iv) settlement services; and (v) other financial services offered by GDH Finance for a term of three years from 1 September 2021 to 31 August 2024. The entering into of the Financial Services Framework Agreement is able to strengthen the source of funding and cater for the business development needs of the Group, as well as saving finance cost. The member(s) of the Group and GDH Finance will enter into specific agreements for the provision of financial services, which set out the detailed terms for the relevant transactions contemplated under the Financial Services Framework Agreement and are, in the ordinary and usual course of business, after arm's length negotiation, on normal commercial terms or better and on terms which are no less favourable than those offered by independent third parties to the Group. Pursuant to the Financial Services Framework Agreement, no service fee will be charged by GDH Finance for settlement services. During the year ended 31 December 2022, GDH Finance entered into specific agreements for the provision of financial services with the following members of the Group, including Guangdong Water Holdings Limited and its subsidiaries; GDH Teem and its subsidiaries; Guangdong Land Holdings Limited and its subsidiaries.

During the year ended 31 December 2022, the maximum aggregate daily balance of (i) cash deposits (including the interest accrued thereon), (ii) the relevant fund balance(s) in respect of the bills of exchange payment services, and (iii) the relevant fund balance(s) in respect of the entrusted loan services, placed by the Group with GDH Finance did not exceed the fund balance cap of RMB2,800,000,000. The total amount of service fees paid by the Group to GDH Finance amounted to approximately RMB565,000, under the agreement in force over the relevant previous period. The annual cap of the services fee under the Financial Services Framework Agreement for the year ended 31 December 2022 is RMB25,000,000 per the Company's announcement dated 1 September 2021.

(e) Property Management Agreements

- (i) On 31 May 2019, Wanye entered into agreements (collectively the "Panyu Property Management Agreements") with Yuehai Property Management. 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. 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.

During the year ended 31 December 2022, the total amount paid in accordance with the terms of the Panyu Property Management Agreements was nil. The annual cap of the services fee under the Panyu Property Management Agreements for the year ended 31 December 2022 is RMB2,100,000 per the Company's announcement dated 31 May 2019.



Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

B. Continuing Connected Transactions *(continued)*

(e) Property Management Agreements *(continued)*

- (ii) On 1 September 2020, GDH Teem entered into an agreement (the “18F Teem Tower Property Management Services Agreement”) with Teem Management Co.. Pursuant to the 18F Teem Tower Property Management Services Agreement, Teem Management Co. agreed to provide certain property management services on the 18th Floor of Teem Tower for the period from 1 January 2021 to 31 December 2023. The service fees for the abovementioned services was paid by GDH Teem to Teem Management Co. on a monthly basis and was calculated at the agreed monthly rates on a pro rata basis;

On 1 September 2020, 廣東粵海天河城百貨有限公司 (GDH Teem Department Store Co., Ltd.[▲]) (“GDTDS”) entered into an agreement (the “Teemall Shop Property Management Services Agreement”) with Teem Management Co. Pursuant to the Teemall Shop Property Management Services Agreement, Teem Management Co. agreed to provide certain property management services in the 11 shops in Teemall for three years commencing on 11 September 2020. The service fees for the abovementioned services was paid by GDTDS to Teem Management Co. on a monthly basis and was calculated at the agreed monthly rates on a pro rata basis;

On 1 September 2020, GDTDS entered into an agreement (the “Teemall Warehouse Property Management Services Agreement”) with Teem Management Co.. Pursuant to the Teemall Warehouse Property Management Services Agreement, Teem Management Co. agreed to provide certain property management services in the 49 warehouse units in Teemall for three years commencing on 11 September 2020. The service fees for the abovementioned services was paid by GDTDS to Teem Management Co. on a monthly basis and was calculated at the agreed monthly rates on a pro rata basis;

During the year ended 31 December 2022, the total amount paid in accordance with the terms of the above property management services agreements amounted to approximately RMB25,340,000. The annual cap of the above property management agreements was RMB30,500,000 per the Company’s announcement dated 1 September 2020.

- (iii) On 28 June 2019, Guangdong Nan Fang (Holdings) Co., Ltd (“Nan Fang”) entered into an agreement (the “Guangzhou Exchange Square Property Management Agreement”) with Teem Management Co.. Pursuant to the Guangzhou Exchange Square Property Management Agreement, Teem Management Co. agreed to provide certain property management services for the common area at 1st to 4th Floors of Guangzhou Exchange Square, located at 268 Dongfeng Middle Road, Yuexiu District, Guangzhou, the PRC for three years commencing on 1 July 2019. The service fees for the abovementioned services was paid by Nan Fang to Teem Management Co. on a monthly basis and was calculated at the agreed monthly rates on a pro rata basis;

On 1 April 2019, GDH Teem entered into a number of agreements (collectively the “Teemall Property Management Entrustment Agreements”) with Teem Management Co.. Pursuant to the Teemall Property Management Entrustment Agreements, Teem Management Co. agreed to provide certain property management services in Teemall, including the carpark, for three years commencing on 1 April 2019. The service fees for the abovementioned services was agreed and paid by GDH Teem to Teem Management Co. on an annual basis;

On 1 April 2019, GDH Teem entered into an agreement (the “Teem Tower Property Management Entrustment Agreement”) with Teem Management Co.. Pursuant to the Teem Tower Property Management Entrustment Agreement, Teem Management Co. agreed to provide certain property management services in Teem Tower for three years commencing on 1 April 2019. GDH Teem was not required to pay any management fees to Teem Management Co;

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

B. Continuing Connected Transactions *(continued)*

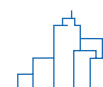
(e) Property Management Agreements *(continued)*

- (iv) On 31 December 2020, Comic City and Teem Management Co. entered into a property management services agreement (as supplemented by a supplemental agreement dated 31 March 2022), pursuant to which Comic City engaged Teem Management Co. to provide property management services for a shopping mall in Guangzhou City held by Comic City, including cleaning services, pest control, waste collection, car park management, maintenance of green areas, maintenance of equipment and facilities, fire safety and public order maintenance. The service fees for the abovementioned services were paid by Comic City to Teem Management Co.;
- (v) On 1 May 2022, Changping Water and Yuehai Property Management entered into an agreement (as supplemented by a supplemental agreement dated 28 September 2022) in relation to the provision of property management services by Yuehai Property Management to Changping Water for the period from 1 May 2022 to 30 April 2024. The service fees for the abovementioned services were paid by Changping Water to Yuehai Property Management on a monthly basis during the term of the agreement;

On 1 July 2022, Nansha Water and Yuehai Property Management entered into an agreement (as supplemented by a supplemental agreement dated 6 October 2022) in relation to the provision of property management services by Yuehai Property Management to Nansha Water for the period from 1 July 2022 to 30 April 2024. The service fees for the abovementioned services were paid by Nansha Water to Yuehai Property Management on a monthly basis during the term of the agreement;

- (vi) On 22 October 2020, Huiyang Yuehai entered into an agreement (the “Huiyang Lijiang Garden Commercial Property Rental Services Agreement”) with Teem Management Co.. Pursuant to the Huiyang Lijiang Garden Commercial Property Rental Services Agreement, Teem Management Co. agreed to provide commercial property rental services such as tenant referral, daily operation management, consumer relations management, tenant relations management and recovery of outstanding rent in respect of certain commercial properties in Huiyang Lijiang Garden for the period from 16 September 2020 to 31 December 2025. The service fees for the abovementioned services was agreed and paid by Huiyang Yuehai on a quarterly basis and was calculated at 11-16% of the actual rental income to be received by Huiyang Yuehai derived from the relevant tenancies in respect of Huiyang Lijiang Garden;
- (vii) On 13 November 2020, 廣東粵海置地集團有限公司 (Guangdong Yuehai Land Holdings Limited) (“Guangdong Yuehai Land”) entered into an agreement (the “Shenzhen City Preliminary Property Services Agreement”) with Teem Management Co.. Pursuant to the Shenzhen City Preliminary Property Services Agreement, Teem Management Co. agreed to provide property management services such as maintenance of common areas and public utilities, greening and cleaning for the properties of the Yuecai City (Northern Land) of the Buxin Project for two years commencing on 13 November 2020. The service fees for the abovementioned services was agreed and paid by Guangdong Yuehai Land to Teem Management Co. On a monthly basis and was calculated at 10% of the total management fees collected in advance from property owners.

During the year ended 31 December 2022, the total amount paid in accordance with the terms of the Shenzhen City Preliminary Property Services Agreement amounted to approximately RMB2,025,000. The annual cap of the Shenzhen City Preliminary Property Services Agreement was RMB4,000,000 per the Company’s announcement dated 26 March 2021.



Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

B. Continuing Connected Transactions *(continued)*

(e) Property Management Agreements *(continued)*

(viii) On 26 March 2021, 粵海科技(深圳)有限公司 (Yuehai Technology (Shenzhen) Co., Ltd) (“Yuehai Technology”) entered into an agreement (the “Second Buji Factory Property Services Agreement”) with Yuehai Yueshenghuo. Pursuant to the Second Buji Factory Property Services Agreement, Yuehai Yueshenghuo agreed to provide property management services such as security, building maintenance and utilities maintenance at the Buji Factory Property for two years commencing on 1 April 2021. The service fees for the abovementioned services was agreed and paid by Yuehai Technology to Yuehai Yueshenghuo on a monthly basis and was calculated at the agreed monthly rates on a pro rata basis;

On 26 March 2021, Yuehai Technology entered into an agreement (the “Second Shiyan Factory Property Services Agreement”) with Yuehai Yueshenghuo. Pursuant to the Second Shiyan Factory Property Services Agreement, Yuehai Yueshenghuo agreed to provide property management services such as security, building maintenance and utilities maintenance at the Shiyan Factory Property for two years commencing on 1 April 2021. The service fees for the abovementioned services was agreed and paid by Yuehai Technology to Yuehai Yueshenghuo on a monthly basis and was calculated at the agreed monthly rates on pro rata basis. On 1 September 2022, Yuehai Technology served a notice to Yuehai Yueshenghuo to early terminate the Second Shiyan Factory Property Services Agreement with effect from 30 September 2022. Details of the termination of the Second Shiyan Factory Property Services Agreement are set out in the announcement of GD Land dated 1 September 2022;

On 26 March 2021, Guangdong Yuehai Land entered into an agreement (the “Yuecai City North Tower Sales Centre and Sample Units Display Zone Property Management Agreement”) with Teem Management Co.. Pursuant to the Yuecai City North Tower Sales Centre and Sample Units Display Zone Property Management Agreement, Teem Management Co agreed to provide property management services such as security, customer services and repair and maintenance of equipment and facilities at the sales center and sample units display zone of Yuecai City north tower for one year commencing on 1 April 2021. The service fees for the abovementioned services was agreed and paid by Guangdong Yuehai Land to Teem Management Co. on a monthly basis and was calculated at the agreed monthly rates on pro rata basis;

On 26 March 2021, GDL Jiangmen entered into an agreement (the “Yiguifu Preliminary Property Services Agreement”) with Yuehai Property Management. Pursuant to the Yiguifu Preliminary Property Services Agreement, Yuehai Property Management agreed to provide property management services such as maintenance, cleaning, greening, parking maintenance and order maintenance for public areas and public facilities at the Yiguifu for three years commencing on 26 March 2021. The service fees for the abovementioned services was agreed and paid by GDL Jiangmen to Yuehai Property Management on a lump sum basis and was calculated at the fixed property service fees per square metre or per car parking space; and

On 26 March 2021, 江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd) (“Jiangmen Yuehai Land”) entered into an agreement (the “Yuehai Laurel House Preliminary Property Services Agreement”) with Yuehai Property Management. Pursuant to the Yuehai Laurel House Preliminary Property Services Agreement, Yuehai Property Management agreed to provide maintenance, cleaning, greening, parking management and order maintenance for public areas and public facilities at the Yuehai Laurel House for three years commencing on 26 March 2021. The service fees for the abovementioned services was agreed and paid by Jiangmen Yuehai Land to Yuehai Property Management on a lump sum basis and was calculated at the fixed property service fees per square metre or per car parking space.

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

B. Continuing Connected Transactions *(continued)*

(e) Property Management Agreements *(continued)*

(viii) *(continued)*

During the year ended 31 December 2022, the total amount paid in accordance with the terms of the above property management services agreements amounted to approximately RMB2,063,000. The aggregated annual cap of the above property management agreements was RMB5,450,000 per the Company's announcement dated 26 March 2021.

(ix) *Framework Agreement in relation to Property Management Services*

On 10 May 2021, the Group and Yuehai Property Management entered into an agreement in relation to Property Management Services (the "Property Management Services Framework Agreement") provided by the Yuehai Property Management Group. Pursuant to the Property Management Services Framework Agreement, the Yuehai Property Management Group agreed to provide certain property management services such as maintenance of properties, on-site consulting services and construction site management services, and assisting in the sales of property units, in respect of the Group's properties (including property projects under development) such as shopping malls, office buildings and other property for the period from 10 May 2021 to 9 May 2024. The service fees shall be paid by the Group to the Yuehai Property Management Group on a monthly, quarterly, half-yearly or yearly basis, in accordance with the relevant usual commercial practices and on fair and reasonable terms. The service fees shall be calculated based on the type and gross floor area of the relevant properties and shall be determined after arm's length negotiations; and

During the year ended 31 December 2022, Yuehai Property Management entered into certain specific agreements for the provision of property management services, which set out the detailed terms for the relevant transactions contemplated under the Property Management Services Framework Agreement, with subsidiaries of the Company.

During the year ended 31 December 2022, the total amount paid in accordance with the terms of the Property Management Agreements amounted to approximately RMB137,590,000. The annual cap of the Property Management Services Framework Agreement for the year ended 31 December 2022 is RMB120,000,000 per the Company's announcement dated 10 May 2021; the said annual cap was revised to RMB220,000,000 per the Company's announcement dated 18 November 2021.

(f) Solar Power Plants Framework Agreement

On 18 May 2022, Water Holdings and 廣東粵海飛來峽水力發電有限公司 (Guangdong Yuehai Feilaixia Hydropower Co., Ltd., a wholly-owned subsidiary of Guangdong Holdings) ("Feilaixia") entered into an agreement in relation to the cooperation regarding the establishment of certain distributed solar photovoltaic power plants for generating electricity for, among others, Water Holdings and its subsidiaries' self-consumption for the period from 1 June 2022 to 31 May 2025 (the "Solar Power Plants Framework Agreement"), pursuant to which, among other things:

- (i) Water Holdings and its subsidiaries ("Guangdong Water Group") will provide Feilaixia with certain rooftops, pool surfaces and other vacant land resources at and/or around the water treatment plants of the Guangdong Water Group for the construction and operation of the solar power plants thereon in return for resource usage fees ("Resource Usage Fees");
- (ii) the Guangdong Water Group will provide Feilaixia with daily maintenance services for those solar power plants in return for maintenance fees ("Maintenance Fees"); and
- (iii) Feilaixia will supply electricity generated by those solar power plants to the relevant members of the Guangdong Water Group in return for electricity consumption fees ("Electricity Consumption Fees").

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

B. Continuing Connected Transactions *(continued)*

(f) Solar Power Plants Framework Agreement *(continued)*

Subject to the relevant specific agreements, the Resource Usage Fees and the Maintenance Fees shall be settled on quarterly, half-yearly or yearly basis (where applicable), and the Electricity Consumption Fees shall be settled on monthly, quarterly, half-yearly or yearly basis (where applicable). During the year ended 31 December 2022, Feilaixia entered into certain specific agreements, which set out the detailed terms for the relevant transactions contemplated under the Solar Power Plants Framework Agreement, with members of the Guangdong Water Group.

During the year ended 31 December 2022, the total amount of Resource Usage Fees and Maintenance Fees received in accordance with the terms of the Solar Power Plants Framework Agreement amounted to approximately RMB33,000; the total amount of Electricity Consumption Fees paid in accordance with the terms of the Solar Power Plants Framework Agreement amounted to approximately RMB171,000. The annual cap of the Resource Usage Fees and Maintenance Fees for the year ended 31 December 2022 is RMB500,000, and the annual cap of the Electricity Consumption Fees is RMB5,000,000 per the Company's announcement dated 18 May 2022.

(g) Support Services Framework Agreement

(i) On 4 September 2020, Kerong Software and 東莞市清粵市政工程有限公司 (Dongguan Qingyue Municipal Engineering Co., Ltd., a subsidiary of the Company) ("Dongguan Qingyue") entered into a secondary pump room data access monitoring centre service agreement for the period from 4 September 2020 to 3 September 2022, pursuant to which Dongguan Qingyue agreed to engage Kerong Software to provide certain software development services, including communication with pump equipment manufacturers, development of applications for user management and system reports and joint debugging with pump equipment manufacturers. The service fees for the abovementioned services were paid by Dongguan Qingyue to Kerong Software in December each year during the term of the agreement at a fixed rate for each site for which data access had been completed. Any outstanding service fee accrued was payable after the expiry of the term of the agreement;

On 8 November 2021, Guangdong Water Testing and 廣東粵港供水有限公司 (Guangdong Yue Gang Water Supply Company Limited, an indirect non-wholly owned subsidiary of the Company) ("Yue Gang Water Supply") entered into a water quality testing business entrustment agreement for the period from October 2021 to December 2022, pursuant to which Yue Gang Water Supply agreed to engage Guangdong Water Testing for water quality testing and technical services. The service fees for the abovementioned services were paid by Yue Gang Water Supply to Guangdong Water Testing at different fixed rates for services rendered in 2021 and 2022;

On 21 December 2021, Maoming branch of Guangdong Water Testing and 遂溪粵海水務有限公司 (Suixi Guangdong Water Co., Ltd., a subsidiary of the Company) ("Suixi Water") entered into a water quality testing business entrustment agreement for the period from 21 December 2021 to 20 December 2022 (amended on 9 May 2022), pursuant to which Suixi Water agreed to engage Maoming branch of Guangdong Water Testing for water quality testing and technical services. The service fees for the abovementioned services were paid by Suixi Water to Maoming branch of Guangdong Water Testing on a biannually basis during the term of the agreement based on the actual amount and type of works provided;

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

B. Continuing Connected Transactions *(continued)*

(g) Support Services Framework Agreement *(continued)*

(i) *(continued)*

On 1 January 2022, Hainan branch of Guangdong Water Testing and 海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd., a subsidiary of the Company) (“Hainan Tap Water”) entered into a water quality testing business entrustment agreement for the period from January 2022 to December 2022, pursuant to which Hainan Tap Water agreed to engage Hainan branch of Guangdong Water Testing for water quality testing and technical services. The service fees for the abovementioned services were paid by Hainan Tap Water to Hainan branch of Guangdong Water Testing on a monthly basis during the term of the agreement;

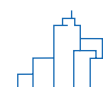
On 1 January 2022, Hainan branch of Guangdong Water Testing and 海南儋州粵海水務有限公司 (Hainan Danzhou Guangdong Water Co., Ltd., a subsidiary of the Company) (“Hainan Water”) entered into a water quality testing business entrustment agreement for the period from January 2022 to December 2022, pursuant to which Hainan Water agreed to engage Hainan branch of Guangdong Water Testing for water quality testing and technical services. The service fees for the abovementioned services were paid by Hainan Water to Hainan branch of Guangdong Water Testing on a monthly basis during the term of the agreement;

On 31 May 2022, four wholly-owned subsidiaries of the Company, including 邳州粵海水務有限公司 (Pizhou Guangdong Water Co., Ltd.), 盱眙粵海水務有限公司 (Xuyi Guangdong Water Co., Ltd.), 高郵粵海水務有限公司 (Gaoyou Guangdong Water Co., Ltd.) and 寶應粵海水務有限公司 (Baoying Guangdong Water Co., Ltd.) (the “PRC Subsidiaries”) had entered into service agreements with Jiangsu branch of Guangdong Water Testing on 31 May 2022 in relation to the provision of water testing services from the Jiangsu branch of Guangdong Water Testing to the Group for a term from June 2022 to December 2022. The service fees were payable by the PRC Subsidiaries on a monthly basis based on a fixed fee schedule set out under the abovementioned agreements.

On 5 March 2022, Nansha Water entered into an agreement with Guangzhou Branch of Guangdong Water Testing in relation to the provision of water quality testing services to Nansha Water for the period from 5 March 2022 to 31 December 2022. The service fees for the abovementioned services were paid by Nansha Water to Guangzhou Branch of Guangdong Water Testing in March, May, August and November during the term of the agreement;

On 23 May 2022, Changping Water and Changyue Engineering had entered into an agreement with Guangdong Yuehai Water in relation to the provision of engineering construction and equipment installation services to Changping Water and Changyue Engineering for the period from 23 May 2022 to 30 April 2024. The service fees for the abovementioned services were paid by Changping Water and Changyue Engineering to Guangdong Yuehai Water based on the actual amount of services provided.

- (ii) On 29 June 2022, Water Holdings and GH Water Supply (Holdings) Limited (a subsidiary of the Company) entered into an agreement with Guangdong Water Technology in relation to the provision of certain support services by Guangdong Water Technology and its subsidiaries and Guangdong Holdings and/or its associate(s) (the “Guangdong Water Technology Group”) to Water Holdings, GH Water Supply (Holdings) Limited and their respective subsidiaries (“the GDI Water Group”) (the “Support Services Framework Agreement”). Pursuant to the Support Services Framework Agreement, the GDI Water Group engaged the Guangdong Water Technology Group for the provision of certain supporting services for the period from 29 June 2022 to 28 June 2025 (further details are set out in the Company’s announcement dated 29 June 2022).



Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

B. Continuing Connected Transactions *(continued)*

(g) Support Services Framework Agreement *(continued)*

(ii) *(continued)*

The fees for the Support Services will be payable by the GDI Water Group to the relevant member(s) of the Guangdong Water Technology Group on a monthly, quarterly, half-yearly or yearly basis, in accordance with the relevant usual commercial practices and on fair and reasonable terms. During the year ended 31 December 2022, members of the Guangdong Water Technology Group entered into certain specific agreements for the provision of support services, which set out the detailed terms for the relevant transactions contemplated under the Support Services Framework Agreement, with members of the GDI Water Group.

During the year ended 31 December 2022, the total amount paid in accordance with the terms of the Support Services Framework Agreement amounted to approximately RMB23,630,000. The annual cap of the services fee under the Support Services Framework Agreement for the year ended 31 December 2022 is RMB260,000,000 per the Company's announcement dated 29 June 2022.

(h) Construction Services Framework Agreement

On 12 July 2022, Guangdong Yuehai Water and Water Holdings entered into an agreement in relation to the provision of certain construction services by Water Holdings and its subsidiaries (the "Water Holdings Group") to Guangdong Yuehai Water and its subsidiaries, and Guangdong Holdings and/or its associate(s) (the "GDH Water Co Group") (the "Construction Services Framework Agreement"). Pursuant to the Construction Services Framework Agreement, the Water Holdings Group agreed to provide certain construction services to the GDH Water Co Group in respect of the construction projects of the GDH Water Co Group for the period from 12 July 2022 to 11 July 2025 (further details are set out in the Company's announcement dated 12 July 2022).

Subject to the relevant specific agreements, the service fees shall be paid by the GDH Water Co Group to the Water Holdings Group on a project completion or project milestone basis (as applicable) or periodically on a monthly, quarterly, half-yearly or yearly basis, in accordance with the relevant usual commercial practices and on fair and reasonable terms. During the year ended 31 December 2022, members of the GDH Water Co Group entered into certain specific agreements for the provision of construction services, which set out the detailed terms for the relevant transactions contemplated under the Construction Services Framework Agreement, with members of the Water Holdings Group.

As for transactions contemplated under the Construction Services Framework Agreement where pricing was determined by public tendering, in accordance with relevant rules and regulations, the GDH Water Co Group would issue tender documents to unspecified bidders through public tendering, or, through competitive negotiation, inquiry or comparative pricing. The invitation contained the key terms of the transaction. If the Water Holdings Group satisfied the requirements set by the GDH Water Co Group, it would submit a bid only after having the relevant personnel and management of the Group reviewed and assessed the key terms of the transaction and its proposed bid price to ensure that they are consistent with the principles and provisions set out in the Construction Services Framework Agreement, fair and reasonable and in the interests of the Company and its shareholders taken as a whole. Also, regular checks were conducted to review and assess whether the relevant continuing connected transactions were conducted in accordance with the terms of the related specific agreements and the price charged for a specific transaction was fair and reasonable and in accordance with the pricing policy.

During the year ended 31 December 2022, the total amount paid in accordance with the terms of the Construction Services Framework Agreement amounted to approximately RMB13,255,000. The annual cap of the services fee under the Construction Services Framework Agreement for the year ended 31 December 2022 was RMB710,000,000 per the Company's announcement dated 12 July 2022.

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

B. Continuing Connected Transactions *(continued)*

(i) Water Project Design and Survey Services Framework Agreement

On 1 September 2022, Water Holdings, Yue Gang Water Supply and 廣東省水利電力勘測設計研究院有限公司 (Water Conservancy Electric Power Survey and Design Institute Company Limited) (“Water Conservancy Design Institute”) entered into an agreement in relation to the provision of certain water project design & survey services by Water Conservancy Design Institute and its subsidiaries (the “Water Conservancy Design Institute Group”) to Water Holdings, Yue Gang Water Supply and their respective subsidiaries (“the Water Supply Group”) (“the Design & Survey Services Framework Agreement”). Pursuant to the Design & Survey Services Framework Agreement, the Water Conservancy Design Institute Group shall provide certain design and surveying services to the Water Supply Group for the period from 1 September 2022 to 28 June 2025 (further details are set out in the Company’s announcement dated 1 September 2022).

Subject to the relevant specific agreements, the service fees shall be paid by the Water Supply Group to the relevant member(s) of the Water Conservancy Design Institute Group based on a project milestone basis as set out in the specific agreements, in accordance with the relevant usual commercial practices and on fair and reasonable terms. During the year ended 31 December 2022, members of the Water Conservancy Design Institute Group entered into certain specific agreements for the provision of design and survey services, which set out the detailed terms for the relevant transactions contemplated under the Design & Survey Services Framework Agreement, with members of the Water Supply Group.

During the year ended 31 December 2022, the total amount payable in accordance with the terms of the Design & Survey Services Framework Agreement amounted to approximately RMB18,057,000. The annual cap of the services fee under the Design & Survey Services Framework Agreement for the year ended 31 December 2022 was RMB80,000,000 per the Company’s announcement dated 1 September 2022.

(j) Information Technology Services Agreement

On 14 September 2021, Comic City, Yuehai Yangzhonghui and 廣東粵海集團企業服務有限公司 (GDH Group Corporate Services Co., Ltd.) (“GDH Corporate Services”) entered into an information technology services agreement, pursuant to which GDH Corporate Services agreed to provide information technology services to Comic City and Yuehai Yangzhonghui (and its subsidiaries). The service fees for the abovementioned services were paid by Comic City (and each of Yuehai Yangzhonghui and its subsidiaries) to GDH Corporate Services every six months.

During the period from the date of completion of the acquisition of 85% equity interest in Comic City (that is 20 June 2022) to 31 December 2022, the total amount paid in accordance with the terms of the Information Technology Services Agreement was approximately RMB58,600. The relevant annual cap of the services fee under the Information Technology Services Agreement is RMB100,000 per the Company’s announcement dated 31 May 2022.

Transactions Disclosed in Accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

B. Continuing Connected Transactions (continued)

(k) Consortium Agreement and supplemental consortium agreement of Yangtze River Water Diversion Project

On 18 May 2019, the Company, Guangdong Yuehai Water, 江蘇中和永泰建設工程有限公司 (Jiangsu Chunghe Yongtai Construction Engineering Co., Ltd.) (“Jiangsu Chunghe Yongtai”), an independent third party, and China First Metallurgical Group Co. Ltd. (“CFMG”), an independent third party (together, the “Private Partners”) successfully bid for the Yangtze River Water Diversion Project. 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 Yuehai Water is contingently liable for the other’s liability, constituting the Company’s financial assistance to Guangdong Yuehai Water. After deducting the registered capital of approximately RMB231,132,300 injected by Xinghua City Investment into the joint venture company, a limited liability company to be established by the Private Partners and Xinghua City Investment in the PRC pursuant to the Joint Venture Agreement, the Company is likely to invest a maximum of approximately RMB2,528,656,700 in relation to the Yangtze River Water Diversion Project, inter alia, the Company shall be liable in respect of the obligation of Guangdong Yuehai Water in the maximum amount of RMB400,169,405 (being 14.5% of the total investment of Guangdong Yuehai Water in the Yangtze River Water Diversion Project) (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 Yuehai Water 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 Yuehai Water 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, CFMG and Guangdong Yuehai Water, which shall be responsible for its proportionate registered capital as well as assuming the responsibility for the project financing and/or joint guarantees, the Company is likely to invest a maximum of RMB1,891,139,837.

During the year ended 31 December 2022, 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 Transactions set out above and have unanimously confirmed that these 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.

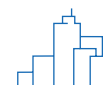
The Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 (Revised) *Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the HKICPA. The Company’s auditor has issued its unmodified 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.

Major Properties Held by the Group

31 December 2022

DETAILS OF PROPERTY, PLANT AND EQUIPMENT

Property	Lot No.	Use
Wharney 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
Oasis Avenue-A GDH 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 City Guangdong Province Mainland China	N/A	Hotel
Guangdong Hotel (Shen Zhen) Shennan East Road Luohu District Shenzhen City Guangdong Province Mainland China	N/A	Hotel
Guangdong Hotel (Zhu Hai) No. 1145 Yuehai Road East Gongbei, Zhuhai City Guangdong Province Mainland China	N/A	Hotel
Holiday Inn Zhuhai City Center No. 39 Bailian Road Jida Xiangzhou District Zhuhai City Guangdong Province Mainland China	N/A	Hotel
GDH Energy Project 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 City, Guangdong Province Mainland China	N/A	Water distribution facilities



Major Properties Held by the Group

31 December 2022

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 City 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 City, Mainland China	76.02%	Medium term	Shopping mall
Panyu GDH Plaza, No. 81 Wanhui 2 Road No. 180 Wanbo 2 Road Nancun Town, Panyu District Guangzhou City, Guangdong Province Mainland China	31.06%	Medium term	Shopping mall
Commercial portion of Northwestern Land and Northern Land of the Shenzhen GDH City 3008 Taibai Road Luohu District Shenzhen City Guangdong Province PRC	73.82%	Medium term	Commercial
Guangzhou Comic City Shopping Mall The underground of No. 1 Jixiang Road Yuexiu District, Guangzhou City Guangzhou Province, PRC	64.71%	Medium term	Shopping mall

Major Properties Held by the Group

31 December 2022

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
Southern Land of the Shenzhen GDH City 3008 Taibai Road, Luohu District Shenzhen City, Guangdong Province, PRC	73.82%	16,044	199,500	Commercial/ office/mall
The Zhuhai Jinwan Project West of Jinhui Road and North of Jinhe East Road Jinwan District, Zhuhai City Guangdong Province, PRC	73.82%	66,090	166,692	Residential/ Commercial
The Foshan Laurel House Project West of Wenhua Road South of Liming Second Road Changcheng District, Foshan City Guangdong Province, PRC	73.82%	43,284	151,493	Residential/ Commercial
The Zhongshan GDH City Project Tsuihang New District Zhongshan City, Guangdong Province, PRC	72.08%	98,811	247,028	Residential
The Jiangmen Ganhua Project (Jiangmen Land No. 4 and 5) East of Ganbei Road, Pengjiang District Jiangmen City Guangdong Province, PRC	37.65%	133,764	270,569	Residential/ Commercial
The Huizhou Dayawan Project Mamiao, Aotou, Dayawan District Huizhou City Guangdong Province, PRC	73.82%	30,698	92,094	Residential/ Commercial
Guangzhou Yungang Town Project Core Area of Baiyun New Town, Baiyun District Guangzhou City, PRC	73.82%	114,463	506,000	Residential/ Commercial
The Foshan Jihua Project West Side of Fenjiang Road North Side of Lujing Road and East Side of Luying West Street Changcheng District Foshan City, Guangdong Province, PRC	37.65%	40,642	118,122	Residential/ Commercial/ Offices



Major Properties Held by the Group

31 December 2022

DETAILS OF COMPLETED PROPERTIES HELD FOR SALE

Property	Interest in property attributable to the Group	Gross floor area (sq. m.)	Existing use
Northwestern Land and Northern Land of the Shenzhen GDH City 3008 Taibai Road, Luohu District Shenzhen, Guangdong Province, PRC	73.82%	275,209*	Business apartment/ Commercial
The Chenyuan Road Project West of Fengxiang Road Southeast of the intersection of Chenyuan Road and Longteng Road Pengjiang District, Jiangmen City Guangdong Province, PRC	73.82%	164,216	Residential/ Commercial service/ Car-parking spaces
The Jiangmen Ganhua Project (Jiangmen Land No. 3) East of Ganbei Road, Pengjiang District Jiangmen City Guangdong Province, PRC	37.65%	122,331	Residential/ Commercial
Guangzhou Laurel House Nos. 43-79 Zhuguang Road Yuexiu District, Guangzhou City Guangdong Province, PRC	73.82%	2,764	Car-parking spaces
Ruyingju South of Sanzhi Xiangshui Road Dongxiang Village, Dashi Town Panyu District, Guangzhou City Guangdong Province, PRC	59.06%	8,052	Car-parking spaces

* Represents the gross floor area of the entire project, including the commercial portion.



GUANGDONG INVESTMENT LIMITED
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