



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

Stock Code : 00270

2023  
ANNUAL  
REPORT



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# CORPORATE INFORMATION

As at 25 March 2024

## Board of Directors

### Executive Directors

Ms. BAI Tao (*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, *BBS, 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

Ms. BAI Tao (*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 & Chief Compliance Officer & 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  
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  
Standard Chartered Bank

## Registered Office

28th and 29th Floors  
Guangdong Investment Tower  
148 Connaught Road Central  
Hong Kong  
Telephone (852) 2860 4368  
Email ir@gdi.com.hk  
Website 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	18 June 2024 2:30 p.m.
Final Dividend	HK12.33 cents per ordinary share, payable on or about 25 July 2024

### Last Share Registration Date

For attending Annual General Meeting	12 June 2024, by 4:30 p.m.
For entitlement for Final Dividend	27 June 2024, by 4:30 p.m.

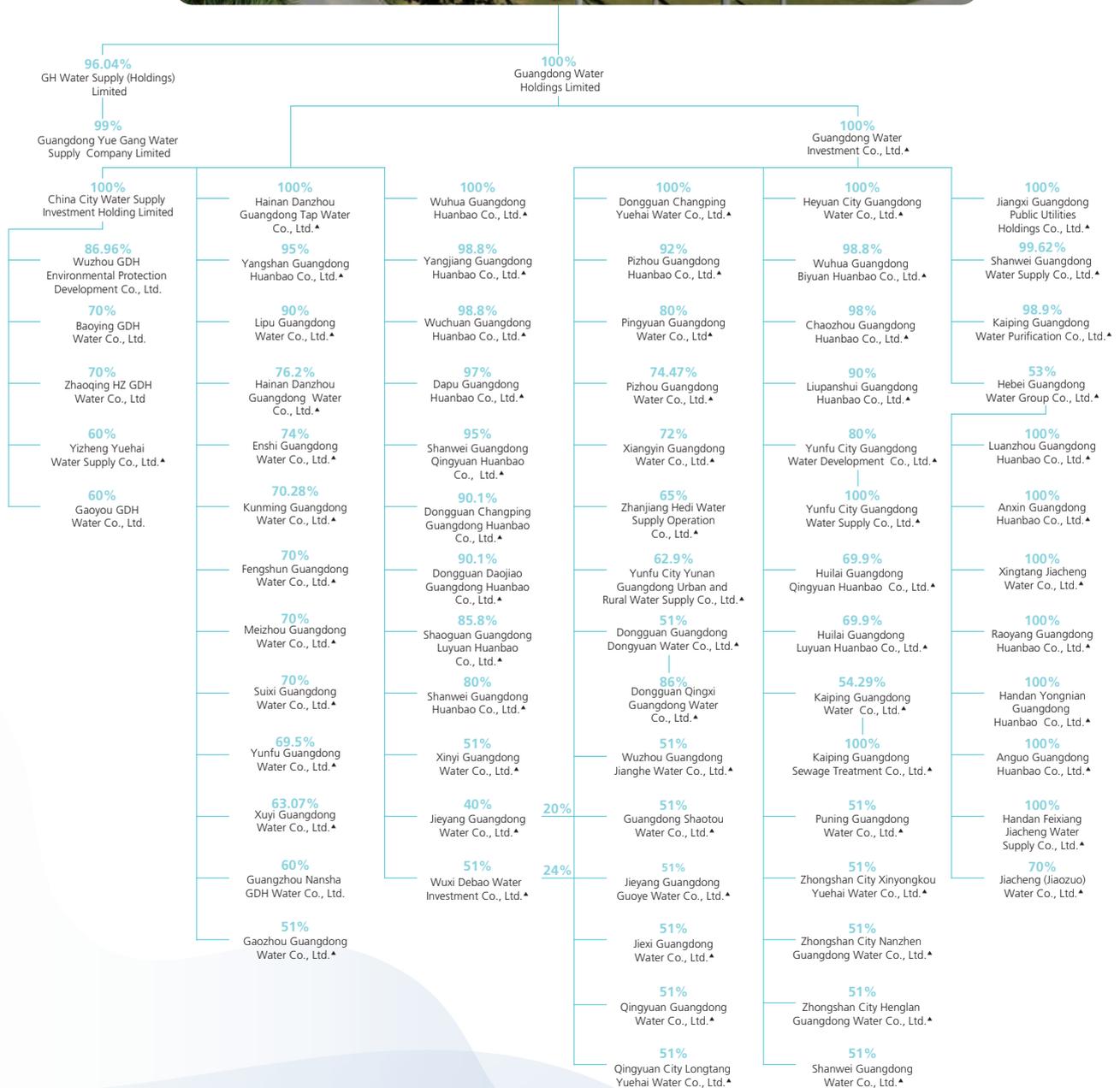
### Closure of Register of Members

Final Dividend	28 June 2024
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# THE GROUP'S PRINCIPAL BUSINESSES

As at 25 March 2024

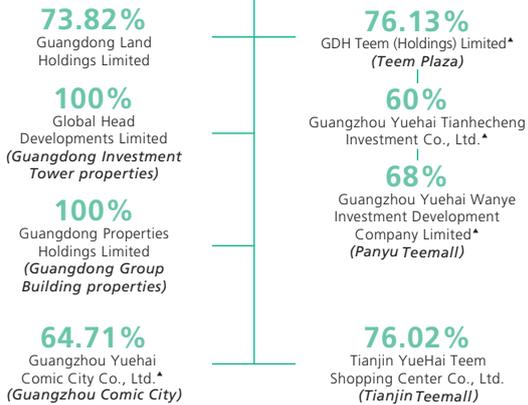
## Water Resources



# THE GROUP'S PRINCIPAL BUSINESSES

As at 25 March 2024

**Property Investment and Development**

**Department Store Operation**

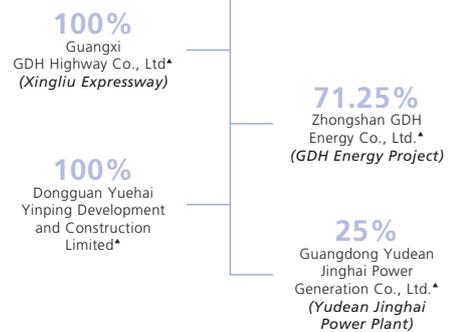


**85.20%**  
GDH Teem Commercial Co., Ltd.

**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

	2023 HK\$'000	2022 HK\$'000	Change %
Revenue	<b>24,199,894</b>	23,196,238	4.3
Profit for the year attributable to owners of the Company	<b>3,122,069</b>	4,763,503	-34.5
Earnings per share – Basic	<b>HK 47.75 cents</b>	HK 72.86 cents	-34.5
Dividends per share			
Interim	<b>HK 18.71 cents</b>	HK 18.71 cents	
Proposed final	<b>HK 12.33 cents</b>	HK 42.62 cents	
	<b>HK 31.04 cents</b>	HK 61.33 cents	-49.4
EBITDA	<b>8,158,138</b>	10,092,429	-19.2
Owners' equity	<b>41,802,210</b>	43,328,642	-3.5
Total assets	<b>139,965,972</b>	133,514,620	4.8
Net financial borrowings <sup>7</sup>	<b>29,834,060</b>	31,797,468	-6.2

## Key Ratios

	2023	2022
Gearing <sup>1</sup>	<b>77.33%</b>	78.35%
Interest cover <sup>2</sup>	<b>4.34X</b>	6.72X
Liquidity <sup>3</sup>	<b>1.21X</b>	1.46X
Return on average shareholders' funds <sup>4</sup>	<b>7.33%</b>	10.64%
Post-tax return on average assets <sup>5</sup>	<b>2.06%</b>	4.19%
Dividend payout ratio <sup>6</sup>	<b>65.01%</b>	84.18%

## Share Information (as at 31 December)

	2023	2022
Number of ordinary shares issued	<b>6,538m</b>	6,538m
Market capitalisation	<b>HK\$37,135m</b>	HK\$52,237m
Closing market price per share	<b>HK\$5.68</b>	HK\$7.99
Basic and diluted earnings per share	<b>HK 47.75 cents</b>	HK 72.86 cents
Net asset value <sup>8</sup> per share	<b>HK\$6.39</b>	HK\$6.63

## 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)

	2023 HK\$'000	2022 HK\$'000
<b>Loan maturity profile</b>		
Within 1 year	15,252,492	10,044,788
In the 2nd year	3,574,764	14,072,650
In the 3rd to 5th year	12,421,807	7,493,565
Over 5 years	11,178,613	9,124,585
	<b>42,427,676</b>	40,735,588
<b>Currency</b>	%	%
Hong Kong dollars	17.2	20.8
Renminbi	82.8	79.2
<b>Interest rate</b>	%	%
Floating	74.5	79.5
Fixed	25.0	20.3
Non-interest bearing	0.5	0.2

### Source of financing (as at 31 December 2023)

	Available and committed %	Utilised %
Bank and other borrowings	99.6	99.5
Non-interest bearing borrowings	0.4	0.5
	<b>100.0</b>	100.0

# FINANCIAL HIGHLIGHTS

## Analysis of the Group's Businesses

Year ended 31 December 2023

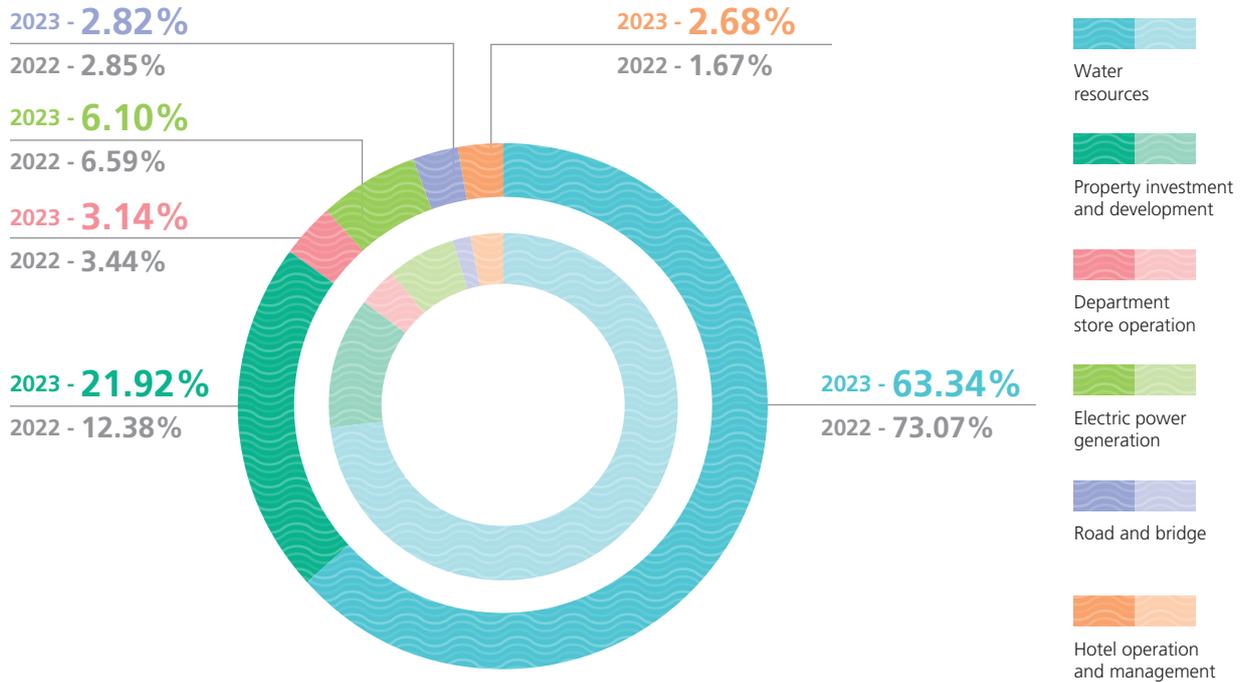
	Revenue		Segment results	
	HK\$'000	%	HK\$'000	%
By Activity:				
Water resources	15,329,381	63.34	5,593,782	88.16
Property investment and development	5,304,259	21.92	(864,652)	–
Department store operation	758,786	3.14	(18,218)	–
Electric power generation	1,475,698	6.10	105,664	1.67
Hotel operation and management	648,780	2.68	144,849	2.28
Road and bridge	682,990	2.82	500,713	7.89
Others and elimination	–	–	(26,140)	–
	<b>24,199,894</b>	<b>100.00</b>	<b>5,435,998</b>	<b>100.00</b>
By Geographical Area:				
Mainland China	23,924,635	98.86		
Hong Kong	275,259	1.14		
	<b>24,199,894</b>	<b>100.00</b>		

Year ended 31 December 2022

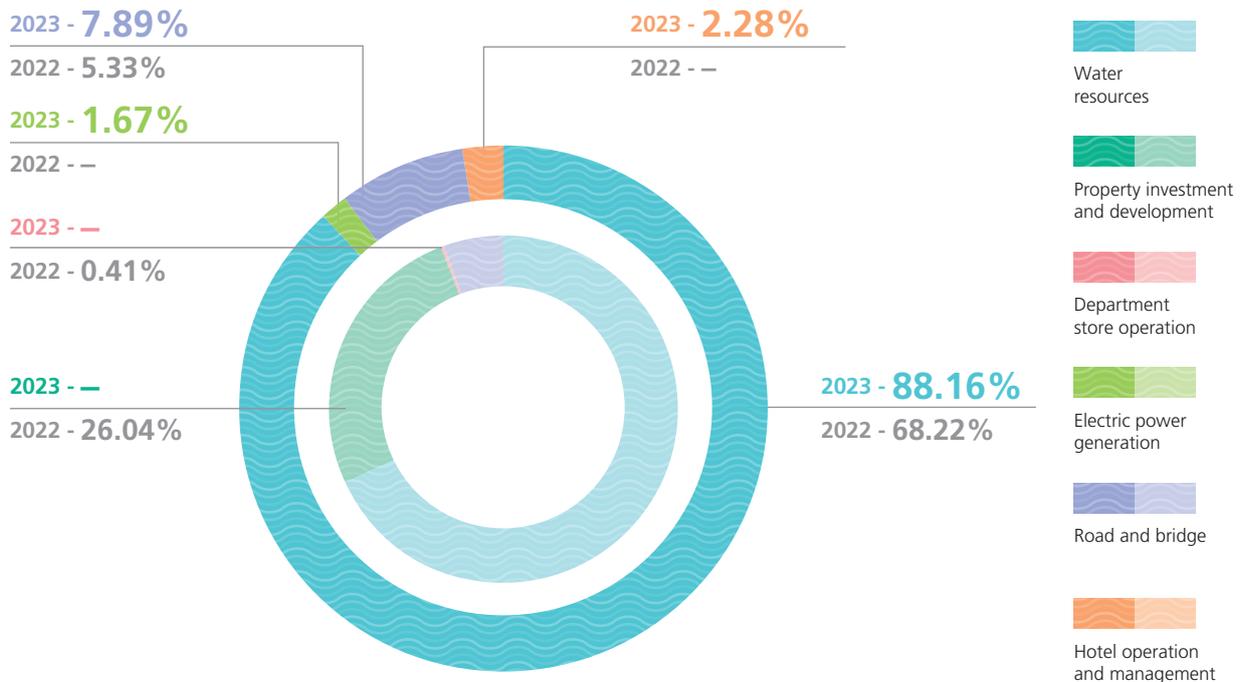
	Revenue		Segment results	
	HK\$'000	%	HK\$'000	%
By Activity:				
Water resources	16,949,113	73.07	5,634,624	68.22
Property investment and development	2,870,880	12.38	2,150,806	26.04
Department store operation	798,860	3.44	33,797	0.41
Electric power generation	1,529,210	6.59	(54,339)	–
Hotel operation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

# FINANCIAL HIGHLIGHTS

## Revenue by Operating Segments

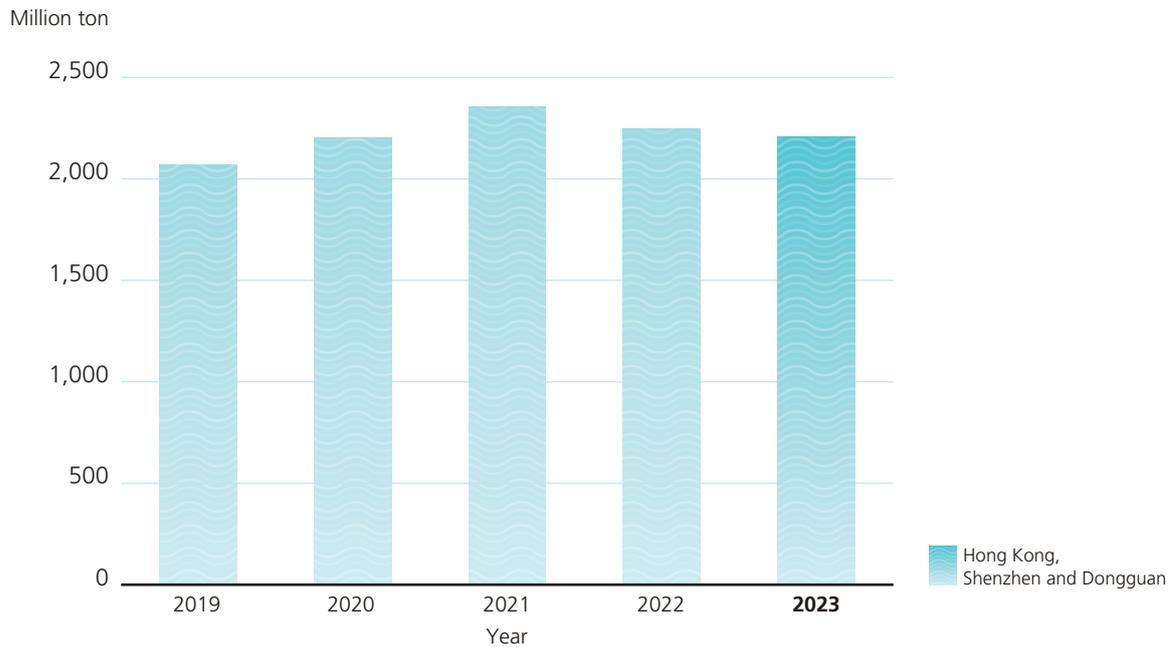


## Segment Results by Operating Segments

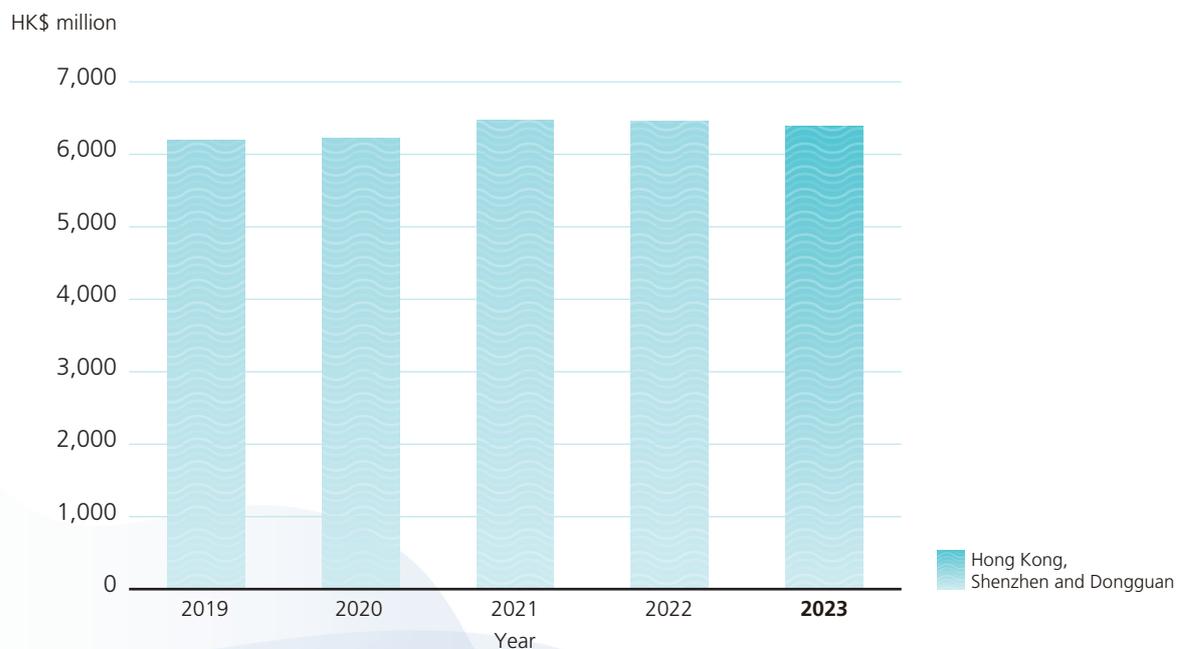


# FINANCIAL HIGHLIGHTS

## Water Distribution – Annual Volume

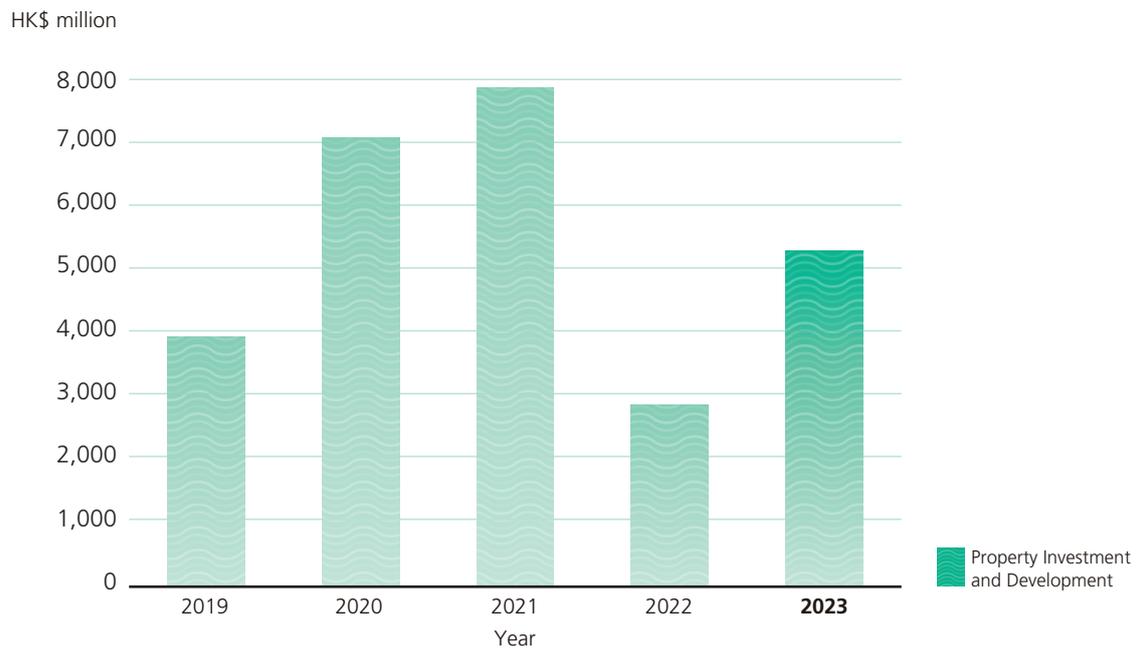


## Water Distribution – Annual Revenue

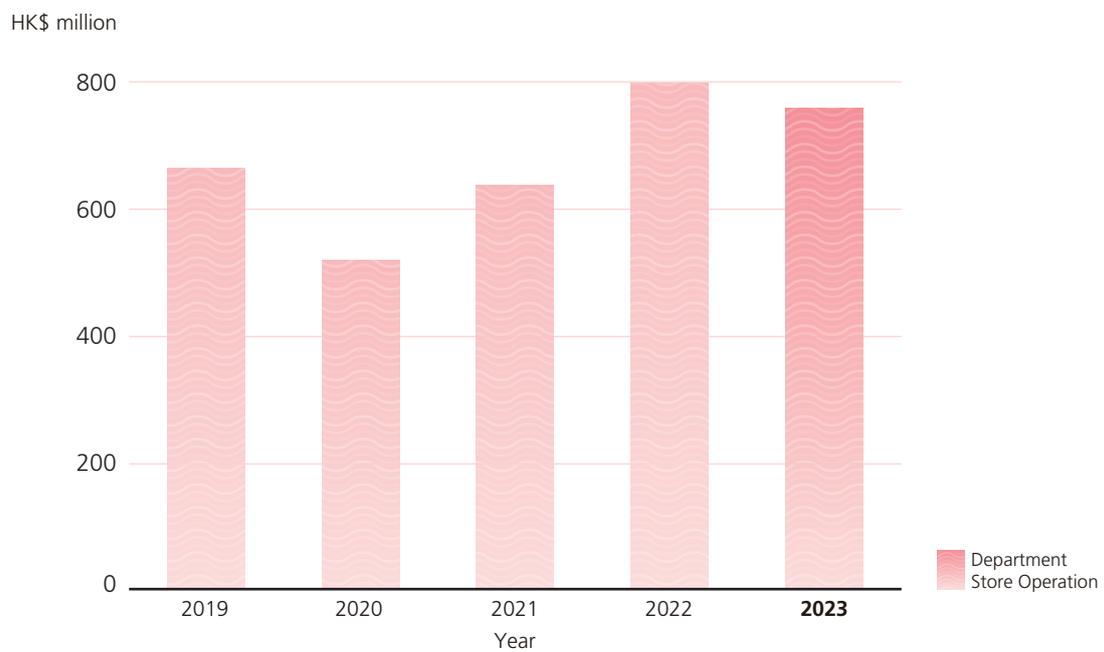


# FINANCIAL HIGHLIGHTS

## Property Investment and Development – Annual Revenue

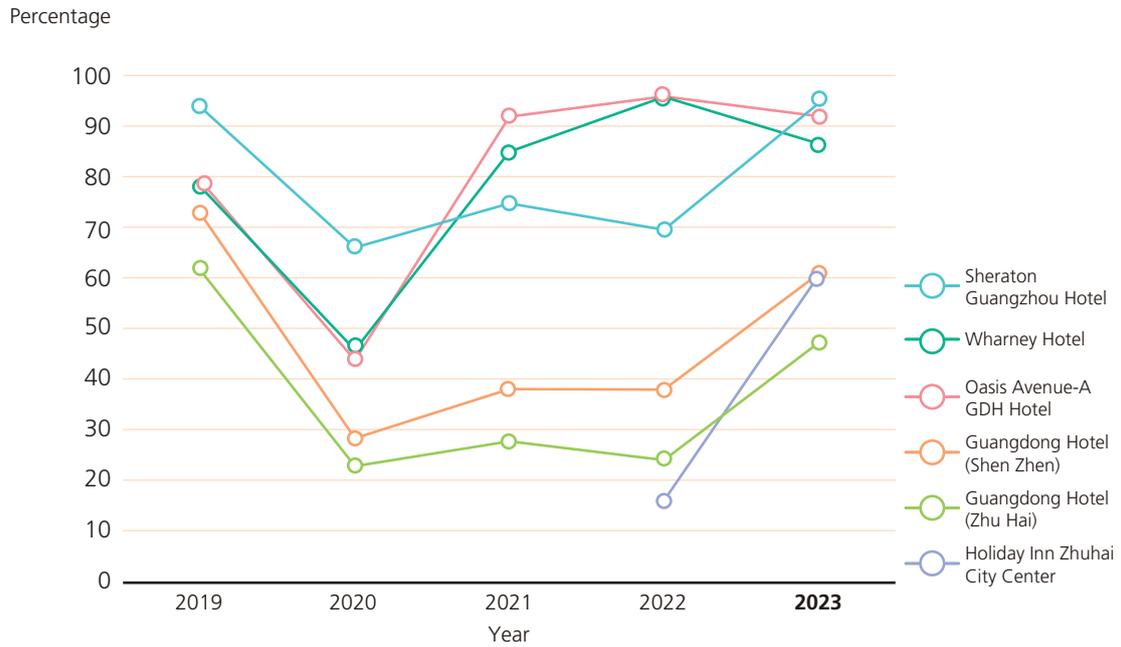


## Department Store Operation – Annual Revenue

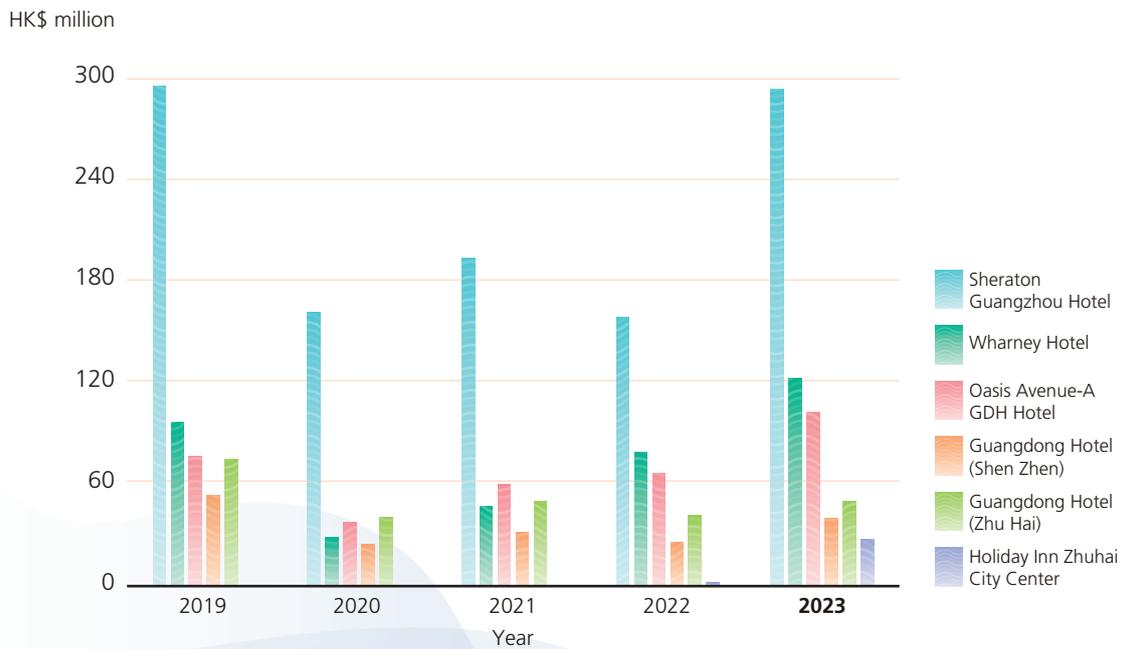


# FINANCIAL HIGHLIGHTS

## Hotel Operation and Management – Occupancy Rate

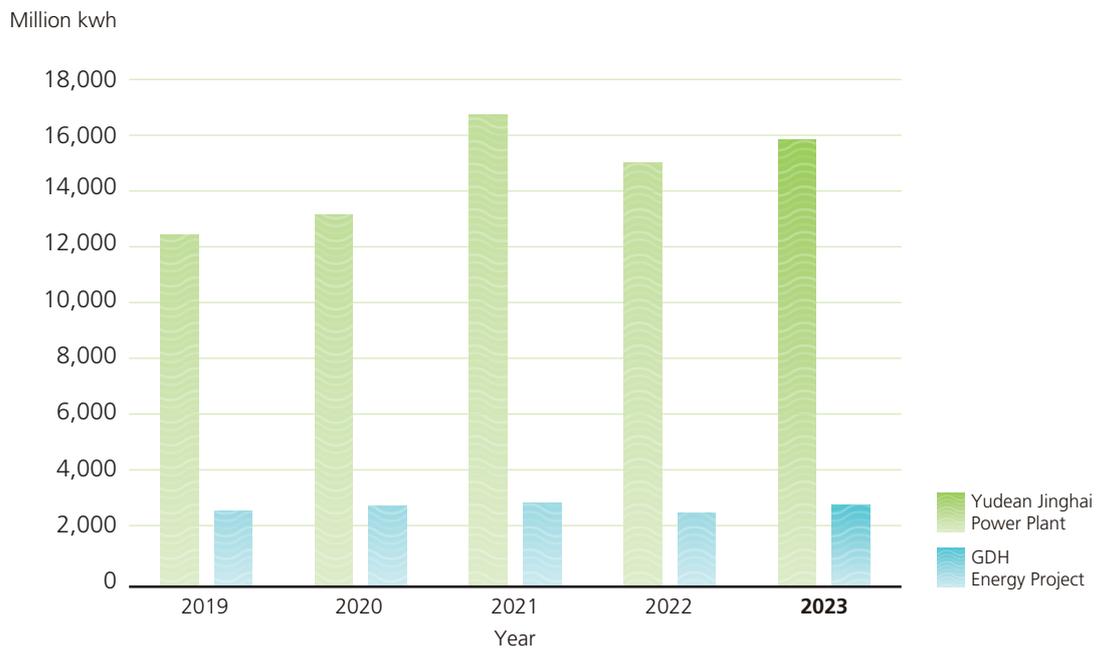


## Hotel Operation and Management – Annual Revenue

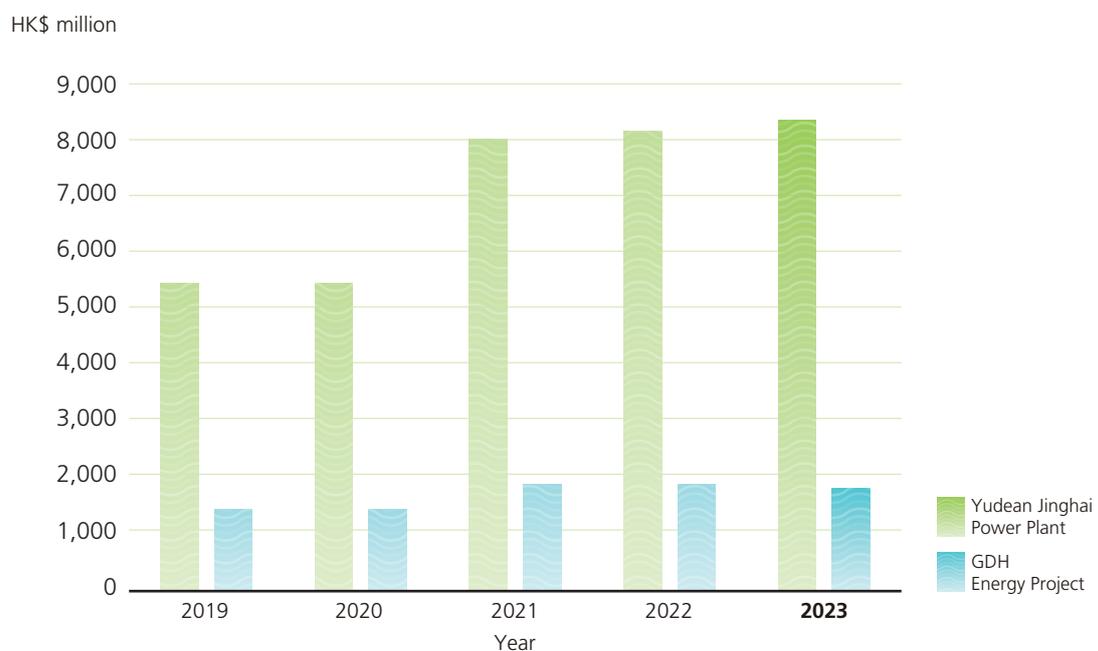


# FINANCIAL HIGHLIGHTS

## Electric Power Generation – Annual Sales of Electricity



## Electric Power Generation – Annual Revenue



## CHAIRMAN'S STATEMENT



### RESULTS

I hereby present our results for the year of 2023 to the shareholders. The Group's consolidated profit attributable to owners of the Company for year 2023 amounted to HK\$3,122 million (2022: HK\$4,764 million), decreased by 34.5% over year 2022. Basic earnings per share decreased by 34.5% over the last year to HK47.75 cents (2022: HK72.86 cents).

### DIVIDEND

By striking a balance between the sharing of the Company's profit with the Shareholders and preserving sufficient funds for its development and operation, the Company aims to generate stable and sustainable returns for its shareholders. In deciding whether to recommend the payment of any dividend and in determining the amount thereof, the Company will take into account the actual and expected financial performance and position of the Group.

The Board recommends the payment of a final dividend of HK12.33 cents per share for the year ended 31 December 2023. Aggregating such dividend with the interim dividend of HK18.71 cents per share paid in October 2023, the total dividend for the entire year will be HK31.04 cents (2022: HK61.33 cents) per share. The said 2023 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on or about 25 July 2024.

### REVIEW

In 2023, the global economy rebounded with growth spurred by reopening, but the overall recovery remained slow and uneven, mainly due to increasing geo-economic disruptions, tightening of monetary policy to reduce inflation, cancellation of fiscal support in a high-debt environment, extreme weather and other events. With the world heading for a new period of turbulence and change, and the global economy running out of momentum, while withstanding external pressures and overcoming internal difficulties to achieve a steady rebound, China's economy is still challenged by a lack of domestic effective demand,

## CHAIRMAN'S STATEMENT

over-capacities in certain industries, weak social expectations and persisting risks and potential issues. Faced with an increasingly complex and changing external environment, the Group adhered to the development strategy of "balancing progress and stability while enhancing quality and efficiency". On the one hand, the Group continued to strengthen the operational efficiency of its core operations while further optimising its corporate 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, the water resources segment continued to expand its capacity with the completion of a number of projects in the segment, contributing steadily to the Group's results. The average occupancy rate of the property investment and development business remained strong, while the hotel operation and management business benefitted from positive factors such as the pandemic ending and the border reopening, resulting in a substantial increase in overall operating revenue compared with last year. The department store retail business continued to promote the integration of online and offline businesses to stabilise its revenue. The operating efficiency of the power business increased as compared with last year due to the increase in electricity consumption and the decrease in coal price. The traffic flow and economic efficiency of the road and bridge business recovered steadily, resulting in an increase in overall operating revenue as compared with that of last year. Meanwhile, the Group closely monitored foreign exchange risks and utilised various strategies to minimise the Group's currency risk exposure.

## PROSPECTS

Looking ahead into 2024, the global economic recovery remains sluggish, primarily due to high interest rates, escalating geopolitical conflicts, depressed international trade, and climate-related disasters. The credit crunch and rising borrowing costs will make it more difficult to boost economic growth. China's economy is expected to recover further in 2024, with favourable levels of economic growth among the best in the world. Under the general trend of economic recovery, facing the uncertainties in 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 while 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.

At the same time, the Group will focus its resources on expanding the water business to high-value-added businesses, steadily promoting property sales in the property investment and development business, capitalising on the post-pandemic business opportunities to increase profits in the hotel operation and management business, actively seeking new market opportunities in the department store retail business by leveraging on its branding strengths, opening up new sources of income and cutting down costs in the power business, and continuing to attract customer traffic flow to increase revenues in the road and bridge business, to proactively capture the potential development opportunities arising from the major strategic prospects of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, and to provide a long-term driving force for the Company's high-quality development, and to make its best endeavours to enhance the Company's results of operation and its overall 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.

**BAI Tao**  
*Chairman*

Hong Kong, 25 March 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Overview

The consolidated revenue of the Group for the year ended 31 December 2023 was HK\$24,200 million (2022: HK\$23,196 million), an increase of 4.3% as compared with that of year 2022. The increase in revenue was mainly attributable to increase in revenue from property investment and development business, which was partially offset by the decrease in revenue from construction services in water resources business.

The consolidated profit before tax for the year ended 31 December 2023, excluding changes in fair value of investment properties, impairment of properties held for sale under development and completed properties held for sale, net gain on disposal of properties, net exchange loss and net finance costs, increased by 2.0% to HK\$6,977 million (2022: HK\$6,840 million), mainly attributed to the turnaround from loss to profit of both the hotel operation and management business and the electric power generation business as a result of the easing of pandemic prevention policies and the drop in coal price, respectively; the steady growth of the road and bridge business; which offset the impact of the decrease in profit of the property investment and development business and the depreciation of Renminbi against Hong Kong dollars by 4.7% over the last year. The net gain arising from fair value adjustments for investment properties of the Group for the year was HK\$330 million (2022: HK\$937 million), impairment of properties held for sale under development and completed properties held for sale was HK\$1,809 million (2022: Nil), net gain on disposal of properties was HK\$149 million (2022: HK\$103 million), net exchange loss was HK\$7 million (2022: net exchange gain of HK\$48 million) and net finance costs was HK\$1,036 million (2022: HK\$684 million). Taking into account the effect of the above factors, the consolidated profit before tax for the year decreased by 36.4% to HK\$4,604 million (2022: HK\$7,244 million). The consolidated profit attributable to owners of the Company for the year decreased by 34.5% to HK\$3,122 million (2022: HK\$4,764 million).

Basic earnings per share was HK47.75 cents (2022: HK72.86 cents), decreased by 34.5% as compared with that in year 2022.

## Business Review

A summary of the performance of the Group's major businesses during 2023 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 2023, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (2022: 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 2.209 billion tons (2022: 2.249 billion tons), a decrease of 1.8%, which generated a revenue of HK\$6,383 million (2022: HK\$6,456 million), a decrease of 1.1% over year 2022.

The Hong Kong Water Supply Agreement for 2021 to 2023 (the "2021 to 2023 Water Supply Agreement") between the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") and the Guangdong Provincial Government was signed on 28 December 2020. Pursuant to the 2021 to 2023 Water Supply Agreement, the annual basic water prices for the three years of 2021, 2022 and 2023 were HK\$4,885.53 million, HK\$4,950.51 million and HK\$5,016.35 million, respectively.

The Hong Kong Water Supply Agreement for 2024 to 2026 (the "2024 to 2026 Water Supply Agreement") between the HKSAR Government and the Guangdong Provincial Government was signed on 27 December 2023. Pursuant to the 2024 to 2026 Water Supply Agreement, the annual basic water prices for the three years of 2024, 2025 and 2026 are HK\$5,136.24 million, HK\$5,259 million and HK\$5,384.69 million, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review (continued)

### Water Resources (continued)

#### *Dongshen Water Supply Project (continued)*

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 2026) in a particular year using a particular unit rate. The unit rates for each cubic metre of water supplied to Hong Kong which is conserved for the three years of 2024, 2025 and 2026 are HK\$0.315, HK\$0.323 and HK\$0.331, respectively; whereas the unit rate for the three years of 2021, 2022 and 2023 were HK\$0.300, HK\$0.304 and HK\$0.308, respectively.

The revenue from water sales to Hong Kong for the year increased by 1.4% to HK\$5,016 million (2022: HK\$4,947 million). The revenue from water sales to Shenzhen and Dongguan areas decreased by 9.4% to HK\$1,367 million (2022: HK\$1,509 million) during the year, which was principally due to the depreciation of Renminbi against Hong Kong dollars by 4.7% and the decrease in volume of water supply to Shenzhen over the last year. The profit before tax for the year, excluding gains on disposal of assets, net exchange differences and net finance costs, of the Dongshen Water Supply Project for the year ended 31 December 2023 was HK\$3,852 million (2022: HK\$3,952 million), 2.5% less than that in year 2022.

#### *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 mainland of the People's Republic of China (the "PRC") ("Mainland China").

During the year, the Group entered into certain investment cooperation agreements for the construction/expansion of the new/existing water supply plants and sewage treatment plants located in Nanchang City, Jiangxi Province and Wuxi City, Jiangsu Province. In addition, the Group launched two new water supply plant expansion projects in Baoying County, Jiangsu Province and Zhaoqing City, Guangdong Province. The total designed water supply capacity and waste water processing capacity are 257,000 tons per day and 3,000 tons per day, respectively. The expected total investment amount of these projects is approximately RMB917 million (equivalent to approximately HK\$1,012 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 2023 were 16,150,200 tons per day (2022: 15,893,200 tons per day) and 3,345,900 tons per day (2022: 3,342,900 tons per day), respectively.

The water supply capacity of the water supply plants and the waste water processing capacity of the sewage treatment plants operated by the subsidiaries and associates of the Group as at 31 December 2023 are 10,486,800 tons per day (2022: 7,931,800 tons per day) and 2,054,400 tons per day (2022: 1,925,900 tons per day), respectively. In addition, the water supply capacity of the water supply plants and the waste water processing capacity of the sewage treatment plants under construction by the subsidiaries of the Group as at 31 December 2023 were 1,437,000 tons per day and 50,000 tons per day, respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review (continued)

### Water Resources (continued)

#### Other Water Resources Projects (continued)

#### 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	3,500
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
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	801,500	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.▲)	100,000	–

# 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	Water supply capacity (tons per day)	Waste water processing capacity (tons per day)
雲浮市粵海水務發展有限公司 (Yunfu City Guangdong Water Development Co., Ltd.▲) (formerly known as 雲浮市粵海環保有限公司 (Yunfu City Guangdong Huanbao 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.▲)	80,000	–
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
汕尾粵海水務有限公司 (Shanwei Guangdong Water Co., Ltd.▲)	245,000	–
東莞常平粵海水務有限公司 (Dongguan Changping Guangdong Water Co., Ltd.▲)	280,000	–
中山市新涌口粵海水務有限公司 (Zhongshan City Xinyongkou Guangdong Water Co., Ltd.▲)	120,000	–
中山市橫欄粵海水務有限公司 (Zhongshan City Henglan Guangdong Water Co., Ltd.▲)	140,000	–
中山市南鎮粵海水務有限公司 (Zhongshan City Nanzhen Guangdong Water Co., Ltd.▲)	130,000	–
清遠市龍塘粵海水務有限公司 (Qingyuan City Longtang Guangdong Water Co., Ltd.▲)	50,000	–
Guangzhou Nansha GDH Water Co., Ltd.	550,000	–
湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd.▲)	1,060,000	–
湘陰粵海水務有限公司 (Xiangyin Guangdong Water Co., Ltd.▲)	100,000	–
恩施粵海水務有限公司 (Enshi Guangdong Water Co., Ltd.▲)	400,000	–
汕尾粵海清源環保有限公司 (Shanwei Guangdong Qingyuan Huanbao Co., Ltd.▲)	–	100,000
開平粵海淨水有限公司 (Kaiping Guangdong Water Purification Co., Ltd.▲)	–	25,000
<b>Total as at 31 December 2023</b>	<b>8,536,800</b>	<b>2,054,400</b>
<b>Total as at 31 December 2022</b>	<b>5,431,800</b>	<b>1,925,900</b>

# 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
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
<b>Total as at 31 December 2023</b>	<b>1,950,000</b>
<b>Total as at 31 December 2022</b>	<b>2,500,000</b>

#### 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 2023 were as follows:

Name of subsidiaries of the Group	Waste water capacity (tons per day)	Water supply processing capacity (tons per day)
荔浦粵海水務有限公司 (Lipu Guangdong Water Co., Ltd.▲)	80,000	–
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd.▲)	50,000	–
揭陽粵海國業水務有限公司 (Jieyang Guangdong 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	–
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	–
Guangzhou Nansha GDH Water Co., Ltd.	200,000	–
江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Holdings Co., Ltd.▲) and its subsidiaries	177,000	–
<b>Total</b>	<b>1,437,000</b>	<b>50,000</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review (continued)

### Water Resources (continued)

#### Other Water Resources Projects (continued)

Revenue of Other Water Resources Projects for the year ended 31 December 2023 in aggregate decreased by 14.5% to HK\$8,997,506,000 (2022: HK\$10,522,070,000), of which income from construction services amounted to HK\$2,199,388,000 (2022: HK\$4,712,693,000). Profit before tax of Other Water Resources Projects for the year, excluding the net exchange differences and net finance costs, amounted to HK\$1,853,937,000 (2022: HK\$1,834,379,000) in aggregate, 1.1% higher than that in year 2022.

## Property Investment and Development

### Mainland China

#### GDH Teem

As at 31 December 2023, the Group held an effective interest of 76.13% (2022: 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% (2022: 76.02%) in Tianjin YueHai Teem Shopping Center Co., Ltd. (collectively the “GDH Teem”). GDH Teem operates several shopping malls in Mainland China including Teem Plaza, Panyu Teemmall, Guangzhou Comic City, Shenzhen Teemmall, 粵海天地 (Yuehai Tiandi▲) and Tianjin Teemmall.

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 of GDH Teem’s property investment business for the year decreased by 2.7% to HK\$1,464,427,000 (2022: HK\$1,504,513,000). 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 15.9% to HK\$711,021,000 (2022: HK\$845,682,000), which was mainly due to the depreciation of Renminbi against Hong Kong dollars by 4.7% and the drop of average occupancy rate over the last year.

The revenue of GDH Teem’s property investment business during the year was as follows:

	Area for lease sq.m.	Average occupancy rate %	Revenue for the year ended 31 December		Changes %
			2023 HK\$'000	2022 HK\$'000	
Teem Plaza – Teemmall	106,000	99.3	715,962	774,466	-7.6
Teem Plaza – Teem Tower	88,000	87.8	138,953	207,819	-33.1
Panyu Teemmall	144,000	94.7	244,571	255,642	-4.3
Tianjin Teemmall	145,000	95.7	246,449	230,254	+7.0
Guangzhou Comic City (acquired in June 2022)	23,000	95.2	54,692	32,082	+70.5
Shenzhen Teemmall (opened in December 2022)	59,200	92.0	61,864	4,250	+100.0
粵海天地 (Yuehai Tiandi▲) (opened in December 2023)	12,000	87.7	1,936	–	+100.0
	577,200		1,464,427	1,504,513	-2.7

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review *(continued)*

### Property Investment and Development *(continued)*

#### Mainland China *(continued)*

#### Guangdong Land Holdings Limited (“GD Land”)

The Company’s effective interest in GD Land is approximately 73.82% (2022: 73.82%).

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

#### General Information of the Projects

Name of the property project	Status	Use	Interest held by GD Land	Approximate gross floor area (“GFA”) of project (sq. m.)	Approximate GFA included in calculation of plot ratio* (sq. m.)	Expected completion and filing date
<b>Shenzhen City</b>						
Shenzhen GDH City (Northwestern Land)	Completed	Business apartment/ Commercial	100%	167,376	122,083	N/A
Shenzhen GDH City (Northern Land)	Completed	Commercial/Offices	100%	219,864	153,126	N/A
Shenzhen GDH City (Southern Land)	Completed	Commercial/Offices	100%	255,373	206,618	N/A
<b>Guangzhou City</b>						
Guangzhou GDH Future City	Sale in progress	Residential/Business apartment/ Commercial/Offices	100%	728,549	506,000	2027
Guangzhou Laurel House Ruyingju	Completed	Car-parking spaces	100%	N/A	N/A	N/A
Baohuaxuan	Completed	Car-parking spaces	80%	N/A	N/A	N/A
	Completed	Car-parking spaces	100%	N/A	N/A	N/A
<b>Foshan City</b>						
Foshan Laurel House	Sale in progress	Residential	100%	202,895	151,493	2024
Foshan One Mansion	Sale in progress	Residential/Commercial/ Offices	51%	154,271	118,122	2026
<b>Zhuhai City</b>						
Zhuhai Laurel House	Sale in progress	Residential/Commercial	100%	249,918	166,692	2024
<b>Zhongshan City</b>						
Zhongshan GDH City	Sale in progress	Residential	97.64%	321,456	247,028	2025

# 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 GD Land	Approximate GFA of project (sq. m.)	Approximate GFA included in calculation of plot ratio* (sq. m.)	Expected completion and filing date
<b>Jiangmen City</b>						
Jiangmen One Mansion	Completed	Residential/Business apartment/Commercial	100%	222,708	164,216	N/A
Jiangmen GDH City (Land No. 3)	Completed	Residential	51%	163,511	122,331	N/A
Jiangmen GDH City (Land No. 4)	Sale in progress	Residential/Business apartment/Commercial	51%	299,029	207,419	2027
Jiangmen GDH City (Land No. 5)	To be developed	Residential	51%	89,201	63,150	2027
<b>Huizhou City</b>						
Huizhou One Mansion	Sale in progress	Residential/Business apartment/Commercial	100%	140,163	92,094	2024
Huizhou Huiyang Lijiang Garden	Completed	Car-parking spaces	100%	N/A	N/A	N/A

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.

# 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.)	
<b>Shenzhen City</b>							
Shenzhen GDH City (Northwestern Land)	114,986	4,234	104,912	91.2%	4,284	104,912	91.2%
Shenzhen GDH City (Northern Land)	84,246	–	–	0.0%	–	–	0.0%
<b>Guangzhou City</b>							
Guangzhou GDH Future City	492,223	53,742	80,081	16.3%	N/A	N/A	N/A
Guangzhou Laurel House (Car-parking spaces)	2,764	53	2,697	97.6%	53	2,697	97.6%
Ruyingju (Car-parking spaces)	8,052	120	6,621	82.2%	120	6,621	82.2%
Baohuaxuan (Car-parking spaces)	245	38	38	15.5%	38	38	15.5%
<b>Foshan City</b>							
Foshan Laurel House	146,278	32,074	71,879	49.1%	18,406	18,406	12.6%
Foshan One Mansion	117,336	10,762	10,762	9.2%	N/A	N/A	N/A
<b>Zhuhai City</b>							
Zhuhai Laurel House	145,859	29,961	64,324	44.1%	31,685	31,685	21.7%
<b>Zhongshan City</b>							
Zhongshan GDH City	236,728	38,742	68,295	28.6%	33,017	33,017	13.8%
<b>Jiangmen City</b>							
Jiangmen One Mansion	158,407	34,635	106,269	67.1%	48,462	101,743	64.2%
Jiangmen One Mansion (Car-parking spaces)	37,574	5,711	5,711	15.2%	5,198	5,198	13.8%
Jiangmen GDH City (Land No. 3)	119,334	33,458	83,284	69.8%	62,142	76,104	63.8%
Jiangmen GDH City (Land No. 3) (Car-parking spaces)	29,895	8,456	8,456	28.3%	7,236	7,236	24.2%
Jiangmen GDH City (Land No. 4)	204,229	9,392	13,409	6.7%	10,989	10,989	5.5%
Jiangmen GDH City (Land No. 5)	42,254	N/A	N/A	N/A	N/A	N/A	N/A
<b>Huizhou City</b>							
Huizhou One Mansion	89,240	12,975	14,514	16.3%	N/A	N/A	N/A
Huizhou Huiyang Lijiang Garden (Car-parking spaces)	1,504	82	216	14.4%	82	216	14.4%

# 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 274,000 sq.m. (2022: 169,000 sq.m.) and 222,000 sq.m. (2022: 76,000 sq.m.), respectively. Revenue of GD Land for the year increased by 181.4% to HK\$3,877,416,000 (2022: HK\$1,377,691,000), of which income from sales of properties amounted to HK\$3,842,660,000 (2022: HK\$1,351,831,000). The net gain arising from fair value adjustments for investment properties was HK\$230,115,000 (2022: HK\$762,820,000); net gain on disposal of properties was HK\$149,175,000 (2022: HK\$102,519,000). Affected by the continued downturn in the real estate market, transaction volume had shrunk, and sales prices had also declined. The Group made provision for inventory impairment of approximately HK\$1,808,996,000 (2022: Nil) during the year due to signs of impairment in some of the Group's property projects.

The loss before tax of GD Land for the year ended 31 December 2023 was HK\$1,957,825,000 (2022: profit before tax of HK\$592,244,000). Due to the higher gross profit margin of properties delivered in year 2022, the loss before tax of GD Land for the year ended 31 December 2023, excluding changes in fair value of investment properties, net gain on disposal of properties, impairment of properties held for sale under development and completed properties held for sale and net finance costs, was HK\$295,552,000 (2022: HK\$85,907,000).

#### Hong Kong

##### Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the year was 91.6% (2022: 95.8%). The total revenue for the year ended 31 December 2023 decreased by 3.1% to HK\$46,978,000 (2022: HK\$48,500,000).

## Department Store Operation

As at 31 December 2023, the Group operated five department stores with a total leased area of approximately 209,900 sq.m. (2022: 222,300 sq.m.). The total revenue for the year ended 31 December 2023 decreased by 5.0% to HK\$758,786,000 (2022: HK\$798,860,000). The profit before tax for the year ended 31 December 2023 decreased by 60.7% to HK\$49,828,000 (2022: HK\$126,650,000). After adjusting for the changes in fair value of investment properties and the gain on lease modifications, which amounted to a net loss of HK\$51,054,000 in 2023 compared to a net gain of HK\$68,874,000 in 2022, the profit before tax increased by 74.6% to HK\$100,882,000 (2022: HK\$57,776,000), which is principally related to strategic cost reduction initiatives.

The revenue of the department stores operated by the Group for the year ended 31 December 2023 was as follows:

	Leased area sq.m.	2023 HK\$'000	2022 HK\$'000	Changes %
Teemmall Store	41,500	562,843	597,916	-5.9
Wan Bo Store	20,100	54,407	52,229	+4.2
Ming Sheng Store (closed in March 2023)	–	7,025	17,801	-60.5
Dong Pu Store	28,300	69,492	75,211	-7.6
Ao Ti Store	21,500	43,207	42,596	+1.4
Hua Du Store (opened in January 2022)	98,500	21,812	13,107	+66.4
	209,900	758,786	798,860	-5.0

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review *(continued)*

### Hotel Ownership, Operation and Management

As at 31 December 2023, the Group's hotel management team managed a total of 20 hotels (2022: 24 hotels), of which three were located in Hong Kong and seventeen in Mainland China. As at 31 December 2023, six hotels, of which two in each of Hong Kong and Zhuhai and one in each of Shenzhen and Guangzhou, were owned by the Group. Of these six hotels, four were managed by our hotel management team whereas Holiday Inn Zhuhai City Center located in Zhuhai was operated under franchise arrangement and Sheraton Guangzhou Hotel located in Guangzhou was managed by another hotel management group.

During the year ended 31 December 2023, the average room rate of Sheraton Guangzhou Hotel was HK\$1,226 (2022: HK\$857) whereas the average room rate of the remaining five hotels was HK\$737 (2022: HK\$452). The average occupancy rate of Sheraton Guangzhou Hotel was 94.5% (2022: 69.6%) and that of the other five hotels was 68.2% (2022: 59.1%) for the year ended 31 December 2023.

With the easing of pandemic prevention policies, the hotel industry shows signs of recovery. The revenue of hotel ownership, operation and management business for the year ended 31 December 2023 increased by 67.8% to HK\$648,780,000 (2022: HK\$386,660,000). The profit before tax for the year ended 31 December 2023, excluding changes in fair value of investment properties and net exchange differences, amounted to HK\$105,850,000 (2022: loss before tax of HK\$52,798,000).

### Energy Projects

#### *GDH Energy Project*

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% (2022: 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 ended 31 December 2023 amounted to 2,912 million kwh (2022: 2,604 million kwh), increased by 11.8%. Due to the mixed impact of the increase in sales of electricity and the depreciation of Renminbi against Hong Kong dollars by 4.7% over the last year, revenue of GDH Energy project (including intersegment sales) generated from electricity sales and related operations for the year ended 31 December 2023 decreased by 3.8% to HK\$1,817,993,000 (2022: HK\$1,890,633,000). As a result of the drop in coal price, the profit before tax of GDH Energy for the year ended 31 December 2023, excluding net finance costs, was HK\$99,722,000 (2022: loss before tax of HK\$93,614,000).

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

The Group's effective interest in Yudean Jinghai Power is 25% (2022: 25%). As at 31 December 2023, Yudean Jinghai Power had four power generation units with a total installed capacity of 3,200 MW. Sales of electricity for the year ended 31 December 2023 amounted to 15,863 million kwh (2022: 15,054 million kwh), an increase of 5.4%. Revenue for the year ended 31 December 2023 increased by 2.4% to HK\$8,359,489,000 (2022: HK\$8,166,239,000). Due to the drop in coal price, the profit before tax of Yudean Jinghai Power for the year ended 31 December 2023 was HK\$476,644,000 (2022: loss before tax of HK\$561,191,000). The Group's share of profit in Yudean Jinghai Power amounted to HK\$89,626,000 (2022: share of loss of HK\$105,694,000) during the year ended 31 December 2023.

### 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 18% to 27,208 vehicle trips (2022: 23,060 vehicle trips). The revenue of GDH Highway for the year ended 31 December 2023 amounted to HK\$664,252,000 (2022: HK\$647,855,000), increased by 2.5%. The profit before tax during the year ended 31 December 2023, excluding net finance costs, amounted to HK\$371,766,000 (2022: HK\$357,003,000), increased by 4.1%.

#### *Yinping 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 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 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 Project.

On 31 May 2023, Yuehai Yinping and the Xiegang Government entered into a supplemental agreement, pursuant to which the cooperation agreement was supplemented and amended to the effect that payments to be made for the Yinping Project would be subject to performance assessment. Details of the assessment were set out in the announcement of the Company published on 31 May 2023.

As at 31 December 2023, four Project Roads (2022: four Project Roads) were completed and one Project Road (2022: one Project Road) was under construction. As at 31 December 2023, the cumulative development costs in relation to the Yinping Project amounted to RMB1,987 million (equivalent to approximately HK\$2,193 million) (2022: approximately RMB1,881 million (equivalent to approximately HK\$2,105 million)).

For the year ended 31 December 2023, the total interest, management fee and maintenance fee of the Yinping Project recognized increased by 27.1% to HK\$163,367,000 (2022: HK\$128,573,000) and profit before tax, excluding other operating income, increased by 20.6% to HK\$133,734,000 (2022: HK\$110,935,000).

## Liquidity, Gearing and Financial Resources

As at 31 December 2023, cash and bank balances of the Group increased by HK\$3,656 million to HK\$12,594 million (2022: HK\$8,938 million), of which 97.12% was denominated in Renminbi, 2.87% in Hong Kong dollars and 0.01% in United States dollars.

As at 31 December 2023, the Group's financial borrowings increased by HK\$1,692 million to HK\$42,428 million (2022: HK\$40,736 million), of which 17.2% was denominated in Hong Kong dollars and 82.8% in Renminbi, including loans from the ultimate holding company, fellow subsidiaries and an associate of HK\$9,577 million (2022: HK\$12,954 million). Of the Group's total financial borrowings, HK\$15,252 million was repayable within one year while the remaining balances of HK\$15,997 million and HK\$11,179 million were repayable within two to five years and beyond five years from the end of the reporting period, respectively. Furthermore, as at 31 December 2023, the interest rate structure of the Group's total financial borrowings comprised of 74.5% floating rate borrowings, 25.0% fixed rate borrowings and 0.5% non-interest bearing borrowings.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity, Gearing and Financial Resources *(continued)*

The Group maintained a credit facility of HK\$12,287 million as at 31 December 2023 (2022: HK\$17,270 million).

As at 31 December 2023, the Group's gearing ratio (i.e. net financial indebtedness/net asset value (excluded non-controlling interests)) was 77.3% (2022: 78.4%). The Group was in a healthy debt servicing position with the EBITDA/finance cost incurred as at 31 December 2023 being 4.3 times (2022: 6.7 times).

Net cash inflows from operating activities for the year ended 31 December 2023 amounted to approximately HK\$10,711 million (2022: net cash outflows of HK\$1,399 million). GD Land recorded net cash inflows from operating activities for the year amounting to approximately HK\$3,607 million (2022: net cash outflows of HK\$6,661 million). 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 2023, except for (i) certain property assets (including operating income receivables of certain investment properties) of HK\$9,090 million (2022: HK\$26,353 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\$12,838 million (2022: HK\$10,625 million); (iii) equity interest in certain subsidiaries of the Group, 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\$4,676 million (2022: approximately HK\$2,597 million) as disclosed in note 38 as set out in this Annual Report, there was no other material contingent liability as at 31 December 2023 and 2022.

## Capital Expenditure

The Group's capital expenditure during the year ended 31 December 2023 amounted to HK\$7,696 million which was principally related to property, plant and equipment and leasehold land, 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.

## Exposure to Fluctuations In Exchange and Interest Rates and Related Hedges

As at 31 December 2023, total Renminbi borrowings amounted to HK\$35,146 million (2022: HK\$32,263 million). Exchange rate risk might result from the fluctuation of Renminbi exchange rate. The Group did not use derivative financial instruments to hedge its foreign currency risk as there was 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 2023, the Group's total floating rate borrowings amounted to HK\$31,618 million (2022: HK\$32,365 million). Interest rate risk might 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 would continue to review the market trend as well as its business operation's needs, so as to arrange the most effective risk management tools.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 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 rates. 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 a 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 the profitability of its projects.

### Project Safety Management Risk

Project safety management risk encompasses product safety management risk as well as personnel safety management risk. With respect to product safety risk, the Company will systemise the relevant risk control mechanism so as to establish firmwide standardised risk management procedures. On the other hand, the Company will strengthen production quality control by performing regular safety inspections on its production and operational facilities as a preventive measure, and by seeking market supervision and taking 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Employee and Remuneration Policy

As at 31 December 2023, the Group had a total of 11,495 employees, of which 2,528 were at the managerial level. Among the employees, 11,268 were employed by subsidiaries in Mainland China and 227 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the year was approximately HK\$2,502,471,000 (2022: approximately HK\$2,513,717,000).

In 2023, the Group proactively implemented the concepts of “prioritising determined employees” and “performance-oriented for shared value”, and with our goal of high-quality development, to promote refined management and encourage employees to be bold and ambitious towards excellence. The Group has 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 the manpower guideline of “advancing the capable, rewarding the excellent, demoting the mediocre, and eliminating the inferior”. Through the 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’ 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

**Ms. BAI Tao**, aged 57, was appointed the Chairman and an Executive Director of the Company on 26 October 2023. She is also the chairman and a member of the Nomination Committee of the Company. She holds a bachelor's degree in engineering from Lanzhou University of Technology (formerly known as Gansu University of Technology) and a Doctorate degree in economics from Jinan University. She is a senior economist and a senior engineer. Ms. Bai 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 September 2023. Prior to joining the Guangdong Holdings group, Ms. Bai had served for a number of large-scale enterprises which specialized in manufacturing, industrial construction and real estate industries. She had been a director and general manager of 廣東省二輕工業集團公司 (Guangdong Province Second Light Industry Group Corporation\*), chairman of 廣東省廣輕控股集團有限公司 (Guangdong Province Guangqing Holdings Group Co., Ltd.\*) and chairman of 廣東省廣新控股集團有限公司 (Guangdong Guangxin Holdings Group Co., Ltd.\*, being an enterprise of the 2023 Fortune Global 500). Ms. Bai was awarded the 廣東省優秀女企業家 (Guangdong Excellent Female Entrepreneur\*) in 2005, and an expert entitled to special grants of the State Council of the People's Republic of China (the "PRC") in 2018. In addition, Ms. Bai actively involves in public services. She is currently serving as vice chairman of China Enterprise Reform and Development Society, and previously acted as vice chairman of the Guangdong Women's Federation and a director of the 廣東省城鎮集體企業聯社 (Guangdong Provincial Urban Collective Enterprises Federation\*) etc. Guangdong Holdings and GDH are the ultimate controlling shareholder and the immediate controlling shareholder of the Company, respectively.

**Mr. LIN Tiejun**, aged 59, 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 46, 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 the China Securities Regulatory Commission, 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 54, was appointed an Executive Director and the Chief Financial Officer of the Company on 17 April 2008. He was redesignated 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 48, 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 58, was appointed a Non-Executive Director of the Company on 25 August 2016. Mr. Cai holds a Master's degree in Business Administration from the South China University of Technology, PRC. Between 1991 and 2016, he worked for a number of departments of the People's Government of Guangdong Province in various positions including Deputy Director of the Economic and Trade Commission, Deputy Director of the Economic and Information Commission and Deputy Director of Department of Commerce. Mr. Cai was appointed a Director and the General Manager of Guangdong Holdings in January 2016. He was appointed an Executive Director and the General Manager of GDH in May 2016 and was re-designated from Executive Director to Director in June 2019.

**Mr. LAN Runing**, aged 55, 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 Holdings Limited, which is a listed subsidiary of the Company, in September 2021.

**Mr. Feng Qingchun**, aged 47, 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 80, was appointed an Independent Non-Executive Director of the Company on 25 June 1998. He is also the chairman and a member of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee.

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 of The Community Chest of Hong Kong and Member of its Executive Committee.

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

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

Dr. Chan was also 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 70, was appointed an Independent Non-Executive Director of the Company on 3 January 2000. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

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 Emeritus 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 74, 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. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

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 an Independent Non-executive Director of China Mobile Limited and China Resources Beer (Holdings) Company Limited, both of which are public listed companies in Hong Kong.

**Mr. Li Man Bun, Brian David**, *BBS, JP, MA (Cantab), MBA, FCA*, aged 49, was appointed an Independent Non-Executive Director of the Company on 27 March 2021. He is also the chairman and a member of the Audit Committee, and a member of each of the Remuneration Committee and the Nomination Committee.

Mr. Li 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 Chinese Mainland and international businesses.

Mr. Li is an Independent Non-Executive Director of Towngas Smart Energy Company Limited and China Overseas Land and Investment Limited. Mr. Li was also an Independent Non-Executive Director of Shenzhen Investment Holdings Bay Area Development Company 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 a 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 Director of the Financial Services Development Council, a Member of the Process Review Panel for the Securities and Futures Commission, a Board Member of the Hong Kong-Shenzhen Innovation and Technology Park Ltd., a Member of the Disaster Relief Fund Advisory Committee and a Vice Chairman of the Asian Financial Cooperation Association.

### Senior Management

The senior management of the Group comprises the Executive Directors above, namely, Ms. Bai Tao, 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 2023.

### 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 2023 and the Group's financial position as at that date are set out in the financial statements on pages 69, 71 and 72.

An interim dividend of HK18.71 cents (2022: HK18.71 cents) per ordinary share was paid on 26 October 2023. The board of Directors (the "Board") has resolved to recommend the payment of a final dividend of HK12.33 cents (2022: HK42.62 cents) per ordinary share for the year ended 31 December 2023.

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Tuesday, 18 June 2024 (the "2024 AGM"), is expected to be paid on or about Thursday, 25 July 2024 to shareholders whose names appear on the register of members of the Company on Friday, 28 June 2024.

In order to qualify for attending and voting at the 2024 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 Wednesday, 12 June 2024.

The register of members of the Company will be closed on Friday, 28 June 2024 for the purpose of determining shareholders' entitlement to the proposed final dividend. On that day, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Tengis Limited at the above address not later than 4:30 p.m. on Thursday, 27 June 2024.

### 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 30 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 195 to 199 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 48 to 62 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 30, and in the Corporate Governance Report on pages 48 to 62 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

	<b>2023</b> <i>HK\$'000</i>	<b>Year ended 31 December</b>			
		2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>REVENUE</b>	<b>24,199,894</b>	23,196,238	29,715,492	23,173,322	16,691,209
<b>PROFIT FROM OPERATING</b>					
<b>ACTIVITIES AFTER FINANCE COSTS</b>	<b>4,410,644</b>	7,199,023	8,496,354	7,984,997	7,268,493
Share of profits less losses of associates	<b>193,411</b>	44,515	(39,510)	216,250	212,930
<b>PROFIT BEFORE TAX</b>	<b>4,604,055</b>	7,243,538	8,456,844	8,201,247	7,481,423
<b>INCOME TAX EXPENSE</b>	<b>(1,790,200)</b>	(1,719,345)	(2,969,258)	(2,562,882)	(1,835,040)
<b>PROFIT BEFORE NON-CONTROLLING INTERESTS</b>	<b>2,813,855</b>	5,524,193	5,487,586	5,638,365	5,646,383
Non-controlling interests	<b>308,214</b>	(760,690)	(790,624)	(1,128,421)	(602,013)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>3,122,069</b>	4,763,503	4,696,962	4,509,944	5,044,370

## DIRECTORS' REPORT

### Summary of Financial Information (continued)

Assets, liabilities and non-controlling interests

	2023 HK\$'000	As at 31 December			
		2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
PROPERTY, PLANT AND EQUIPMENT	10,289,697	7,569,778	8,125,506	7,683,847	6,848,039
INVESTMENT PROPERTIES	25,502,014	25,073,134	23,807,224	21,295,440	18,177,573
RIGHT-OF-USE ASSETS	1,056,960	611,367	798,966	604,667	586,680
GOODWILL	851,725	841,202	804,957	594,086	574,242
INVESTMENTS IN ASSOCIATES	3,702,949	4,031,380	4,390,628	4,457,613	4,136,983
OPERATING CONCESSION RIGHTS	21,638,190	21,842,960	21,787,134	15,060,664	13,889,229
RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS	17,770,193	16,672,033	15,388,206	9,547,519	4,564,949
RECEIVABLES UNDER A COOPERATIVE ARRANGEMENT	2,222,396	2,139,111	2,346,599	1,899,957	1,151,590
PROPERTIES HELD FOR SALE UNDER DEVELOPMENT	23,591,871	29,909,189	33,852,306	6,213,674	6,624,204
COMPLETED PROPERTIES HELD FOR SALE	9,236,027	5,513,094	987,625	4,258,089	3,980,357
OTHER ASSETS	22,842,470	18,029,540	16,517,505	17,300,652	15,504,700
DEFERRED TAX ASSETS	1,261,480	1,281,832	1,224,167	684,334	385,948
<b>TOTAL ASSETS</b>	<b>139,965,972</b>	133,514,620	130,030,823	89,600,542	76,424,494
OTHER LOANS AND LIABILITIES	(74,787,090)	(68,428,495)	(61,695,616)	(27,678,727)	(19,547,782)
DEFERRED TAX LIABILITIES	(7,149,257)	(6,576,808)	(6,430,330)	(5,965,854)	(6,183,719)
<b>TOTAL LIABILITIES</b>	<b>(81,936,347)</b>	(75,005,303)	(68,125,946)	(33,644,581)	(25,731,501)
<b>NON-CONTROLLING INTERESTS</b>	<b>(16,227,415)</b>	(15,180,675)	(15,694,179)	(11,728,163)	(9,536,626)
<b>TOTAL EQUITY</b>	<b>58,029,625</b>	58,509,317	61,904,877	55,955,961	50,692,993

### Major Properties

Details of the major properties held by the Group as at 31 December 2023 are set out on pages 213 to 216 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 2023, calculated under the provisions of sections 291, 297 and 299 of the Hong Kong Companies Ordinance, amounted to HK\$3,484,663,000 (2022: HK\$6,681,628,000).

### Donations

The donations made by the Group during the year amounted to HK\$93,000 (2022: HK\$496,000).

# 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**

Bai Tao (*Chairman*) (appointed on 26 October 2023)

Lin Tiejun (*Vice Chairman*)

Wen Yinheng (*Managing Director*)

Tsang Hon Nam (*Deputy General Manager*)

Liang Yuanjuan (*Chief Financial Officer*)

Hou Wailin (retired on 26 October 2023)

### **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

At the board meeting of the Company held on 26 October 2023, the Board accepted the resignation of Mr. Hou Wailin as the Chairman and an Executive Director as he had reached his retirement age. At the said board meeting, the Board also approved the appointment of Ms. Bai Tao as the Chairman and an Executive Director. The aforementioned changes in Board composition were effective upon the conclusion of the said board meeting.

In accordance with Article 73 of the Company's Articles of Association, Ms. Bai Tao will hold office until the 2024 AGM and shall be eligible for re-election. In accordance with Articles 77 to 79 of the Company's Articles of Association, Mr. Lan Runing, Mr. Feng Qingchun, Mr. Wen Yinheng, Dr. Chan Cho Chak, John and Mr. Li Man Bun, Brian David will retire by rotation at the 2024 AGM and shall be eligible for re-election.

Ms. Bai Tao, Mr. Feng Qingchun, Mr. Wen Yinheng, Dr. Chan Cho Chak, John and Mr. Li Man Bun, Brian David, 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 2027, or (ii) 30 June 2027, subject to earlier determination in accordance with the Articles of Association of the Company and/or any applicable laws and regulations.

As Mr. Lan Runing will focus on other matters, he will not offer himself for re-election and will retire from office after the conclusion of the 2024 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 2023 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' REPORT

## Directors' Service Contracts

None of the Directors proposed for re-election at the 2024 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## Directors' Material Interests in Transactions, Arrangements or Contracts

Ms. Bai Tao, Mr. Cai Yong and Mr. Hou Wailin are/were 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/were 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, as the case may be.

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

## Permitted Indemnity Provision

Indemnity provision within the meaning of permitted indemnity provision under the Hong Kong Companies Ordinance for the benefit of the Directors of the Company is currently in force and was in force throughout the year ended 31 December 2023. 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
Bai Tao	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)
Hou Wailin	Guangdong Holdings	Former Chairman	(1), (2) & (4)
	GDH	Former Chairman	(1), (2) & (4)

## DIRECTORS' REPORT

### Directors' Interests in Competing Businesses (continued)

#### 2. Interests in Competing Businesses (continued)

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

### Management Contracts

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

### Directors' Interests and Short Positions in Securities

As at 31 December 2023, 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 C3 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 2023.

#### 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 2023.

## DIRECTORS' REPORT

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

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 2023.

Save as disclosed above, as at 31 December 2023, 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 2023, 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 Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held (Note 1)
Guangdong Holdings (Note 2)	Interest in controlled corporation	3,693,453,546	Long position	56.49%
GDH (Note 3)	Beneficial owner/ Interest in controlled corporation	3,693,453,546	Long position	56.49%
Guangdong Trust Ltd.	Beneficial owner/ Interest in controlled corporation	576,404,918	Long position	8.82%

Notes:

1. The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary shares of the Company in issue as at 31 December 2023.
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.

## DIRECTORS' REPORT

### Substantial Shareholders' and Other Persons' Interests (continued)

Save as disclosed above, as at 31 December 2023, 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.

### 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 to 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 2023, 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 ended 31 December 2023, sales to the Group's five largest customers accounted for 31% 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 15% of the total purchases for the year and purchases from the Group's largest supplier included therein amounted to 5%.

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").

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 2023 amounted to HK\$3,000 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 GDI June 2022 Facility and all interest accrued thereon has become immediately due and payable.

The Company had made the drawdown from the GDI June 2022 Facility on 29 September 2022. The outstanding principal of the GDI June 2022 Facility as at 31 December 2023 was nil.

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

#### GD Land 2023 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 Agreement 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 be beneficially own, directly and/or indirectly, at least 51% of the shareholding in the Company; or
- (ii) Guangdong Holdings ceases to ultimately controlled and/or beneficially majority-owned (directly and/or indirectly) by the Guangdong Provincial Government.

In addition, GD Land would 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.

The outstanding principal of the 2023 First Facility of GD Land as at 31 December 2023 amounted to HK\$400 million, and the related loan was repaid in full on 4 March 2024.

#### GD Land 2023 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 Agreement 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.

The outstanding principal of the 2023 Second Facility of GD Land as at 31 December 2023 amounted to HK\$400 million, and the related loan was repaid in full on 4 March 2024.

#### GD Land 2023 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 Agreement 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; 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 2023 Third Facility of GD Land as at 31 December 2023 amounted to HK\$100 million, and the related loan was repaid in full on 11 March 2024.

## DIRECTORS' REPORT

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

#### Facility Letter dated 14 September 2023

The Company accepted a term loan facility for 364 days in the principal amount of HK\$2,000 million (the "GDI September 2023 Facility") offered by a bank on 14 September 2023. Pursuant to the GDI September 2023 Facility Letter, among others, 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 be 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 September 2023 Facility Letter, all amounts advanced under the GDI September 2023 Facility will become immediately due and repayable.

The outstanding principal of the GDI September 2023 Facility as at 31 December 2023 amounted to HK\$2,000 million.

#### Facility Letter dated 14 December 2023

The Company accepted a revolving loan facility for 364 days in the principal amount of HK\$1,000 million (the "GDI December 2023 Facility") offered by a bank on 14 December 2023. Pursuant to the GDI December 2023 Facility Letter, among others, 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 be 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 December 2023 Facility Letter, all amounts advanced under the GDI December 2023 Facility will become immediately due and repayable.

The outstanding principal of the GDI December 2023 Facility as at 31 December 2023 amounted to HK\$1,000 million.

#### GD Land 2024 First Facility Letter dated 29 February 2024

GD Land accepted an uncommitted revolving loan facility for 360 days in the principal amount of HK\$500 million (the "2024 First Facility of GD Land") offered by a bank on 29 February 2024. Pursuant to the 2024 First Facility of GD Land Facility Letter, among others, GD Land covenants to the bank the following undertakings:

- (i) GD Land shall maintain as a subsidiary of the Company; and
- (ii) GD Land shall maintain as a subsidiary of Guangdong Holdings.

The bank may by notice to GD Land require GD Land to fully repay the loan under the 2024 First Facility of GD Land immediately if the above undertakings are not complied.

## DIRECTORS' REPORT

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

#### GD Land 2024 Second Facility Letter dated 29 February 2024

GD Land accepted an uncommitted revolving term loan facility for 360 days in the principal amount of HK\$400 million (the "2024 Second Facility of GD Land") offered by a bank on 29 February 2024. Pursuant to the 2024 Second Facility of GD Land Facility Letter, GD Land undertakes to the bank the following:

- (i) Guangdong Holdings shall beneficially own, directly and/or indirectly, at least 51% of the shareholding in the Company;
- (ii) the Company shall continue to be the single largest shareholder and hold, directly or indirectly, not less than 50% interest of the shareholding in GD Land; and
- (iii) Guangdong Holdings shall be ultimately controlled and/or beneficially majority owned (directly and/or indirectly) by the Guangdong Provincial Government.

There shall be an Event of Default if any of representation or statement made by GD Land is incorrect and the bank may, by notice in writing to GD Land declare the 2024 Second Facility of GD Land to be terminated and the liabilities payable under the 2024 Second Facility of GD Land Facility Letter shall become due payable.

### Changes in Directors' Information

The changes in Directors' information are set out below:

- (i) Mr. Lan Runing ceased to be the Chairman of 廣東粵海置地集團有限公司 (Guangdong Yuehai Land Holdings Limited), a subsidiary of the GD Land.
- (ii) Mr. Li Man Bun, Brian David was appointed as a Board Member of the Hong Kong-Shenzhen Innovation and Technology Park Ltd. by the Government of the Hong Kong Special Administrative Region, for a term of three years with effect from 6 October 2023 and retired as a Council Member of Hong Kong Trade Development Council upon completion of his term on 31 December 2023.

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

### Auditor

The consolidated financial statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment. A resolution will be proposed at the 2024 AGM for the re-appointment of KPMG as the independent auditor of the Company.

On 23 June 2022, KPMG was appointed as the independent auditor of the Company at the annual general meeting of the Company, following the retirement of Ernst & Young. Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

By Order of the Board

**BAI Tao**

*Chairman*

Hong Kong, 25 March 2024

# 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 consolidate its basic businesses such as untreated water, tap water and municipal sewage to maintain its leading position in the industry; actively expanded its value-added businesses such as intelligent water services to continuously improve its profitability; proactively expanded its business into high-end manufacturing industries such as high-end water treatment membranes and integrated equipment, as well as into high-value-added areas such as industrial wastewater; and explored the development of water economic industry chain projects in relation to the water resources of the water scene. 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 Culture

In 2023, the Group proactively implemented the concepts of “Endeavour Oriented” and “Performance Oriented, Value Sharing”, combined with the goal of high-quality development, to promote refined management, and to encourage employees to be bold, to make progress and to pursue excellence. In addition, the Group abides by the highest standard of business ethics beyond complying with laws and regulations and maintains zero tolerance for corruption and bribery. The Group has set up reporting channels and carry out publicity activities so as to promote integrity, thus fostering an open and transparent enterprise culture. By upholding the highest standards of business ethics and integrity, the Group is able to foster an anti-corruption culture that advocates honest practices and speak up behaviour.

The Group is dedicated to embed a robust culture of compliance to ensure Listing Rule and regulatory compliance. In August 2023, the Company was awarded the GB/T 35770-2022 and ISO 37301:2021 Compliance Management System accreditation by SGS-CSTC Standards Technical Services Co., Ltd.

## 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 C1 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 2023 and, where appropriate, the applicable recommended best practices of the CG Code, save as disclosed below:

Mr. Hou Wailin, the then chairman of the board of Directors (the “Board”) and the then chairman of the Nomination Committee was unable to attend the annual general meeting of the Company held on 16 June 2023 (the “2023 Annual General Meeting”) as required by Code Provision F.2.2. With the consent of the other Directors presented, Mr. Lin Tiejun, Vice Chairman of the Company, chaired the 2023 Annual General Meeting.

# CORPORATE GOVERNANCE REPORT

## 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 C3 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. In response to specific enquiries made, all Directors confirmed that they had complied with the required standards of dealings as set out in the Code during the year.

## Board of Directors

The Board, 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 Ms. Bai Tao, 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.

At the board meeting of the Company held on 26 October 2023, the Board accepted the resignation of Mr. Hou Wailin as the Chairman and an Executive Director as he had reached his retirement age. At the said board meeting, the Board also approved the appointment of Ms. Bai Tao as the Chairman and an Executive Director. The aforementioned changes in Board composition were effective upon the conclusion of the said board meeting. Ms. Bai Tao confirmed that she had obtained the legal advice referred to in Rule 3.09D on 26 October 2023 and she understood her obligations as a Director of the Company.

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.

## Board of Directors (continued)

### Board Composition (continued)

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.

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](http://www.gdi.com.hk).

### Chairman and Managing Director

As at the date of this report, Ms. Bai Tao is the Chairman of the Board whilst Mr. Wen Yinheng is the Managing Director of the Company. The roles of the Chairman and the Managing Director are clearly defined and segregated to ensure independence and proper checks and balances.

On top of her 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. She 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 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.

## Board of Directors (continued)

### Independence of Independent Non-Executive Directors (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; and
- 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.

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.

# CORPORATE GOVERNANCE REPORT

## Board of Directors (continued)

### 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 31 to 35 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. Bai Tao has been acting as the Chairman and an Executive Director since 26 October 2023. Ms. Liang Yuanjuan has been acting as an Executive Director 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.

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.

# CORPORATE GOVERNANCE REPORT

## Board of Directors (continued)

### 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, six 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 titled "*Bribery offences in Hong Kong; Loans, advances, prepayments and similar arrangements made by listed companies; and Implications of Recent Enforcement Bulletins for Listed Companies*" on 29 August 2023 for the Directors. 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 2023.

Name of Director	In-house Directors' training	Seminars, Conferences, Webcasts and Reading Materials
Bai Tao (appointed on 26 October 2023)	N/A	✓
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	✓	✓
Hou Wailin (retired on 26 October 2023)	✓	✓

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

## Board Committees

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

### Remuneration Committee

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 2023 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 2023, the Remuneration Committee had held two meetings and had passed two written resolutions 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 2023 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 Ms. Bai Tao, 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. Ms. Bai Tao 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 the 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 delegates 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/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 2023, the Nomination Committee held two meetings to evaluate the structure, size and composition of the Board, to review the implementation of the Company’s Board Diversity Policy, to assess the independence of the Independent Non-Executive Directors and to make recommendations to the Board on the re-election 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 2023, the Audit Committee had held four meetings to review, among other matters, the 2022 annual results, the 2023 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 for the year ended 31 December 2023 are set out below:

Name of Director	Remuneration Committee			Nomination Committee		Audit Committee		Annual General Meeting
	Board	Committee	Committee	Committee	Committee	Committee	Committee	Meeting
<b>Executive Directors</b>								
Bai Tao (appointed on 26 October 2023)	1/1	–	–	1/1	–	–	–	–
Lin Tiejun	6/6	–	–	–	–	–	–	1/1
Wen Yinheng	6/6	–	–	–	–	–	–	1/1
Tsang Hon Nam	6/6	–	–	–	–	–	–	1/1
Liang Yuanjuan	6/6	–	–	–	–	–	–	1/1
Hou Wailin (retired on 26 October 2023)	3/4	–	–	–	–	–	–	0/1
<b>Non-Executive Directors</b>								
Cai Yong	3/6	–	–	–	–	–	–	0/1
Lan Runing	5/6	–	–	–	–	–	–	1/1
Feng Qingchun	6/6	–	–	–	–	–	–	1/1
<b>Independent Non-Executive Directors</b>								
Chan Cho Chak, John	6/6	2/2	2/2	2/2	4/4	4/4	4/4	1/1
Fung Daniel Richard	6/6	2/2	2/2	2/2	4/4	4/4	4/4	1/1
Cheng Mo Chi, Moses	6/6	2/2	2/2	2/2	4/4	4/4	4/4	1/1
Li Man Bun, Brian David	6/6	2/2	2/2	2/2	4/4	4/4	4/4	1/1

## Accountability and Audit

### Financial Reporting

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

The Directors have acknowledged their responsibility in the preparation of all information and representations contained in the financial statements of the Company for the year ended 31 December 2023, 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 2023, 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 independent auditor, KPMG, is set out as follows:

Services rendered	Fee paid/payable HK\$'000
Audit of financial statements	8,700
Agreed-upon procedures on 2023 quarterly results	1,392
Review of interim results	2,380
Tax related services	130
<b>Total (note)</b>	<b>12,602</b>

Notes: 1. Another member firm of the KPMG global network was engaged by certain subsidiaries of the Company for (i) audit of financial statements; (ii) tax related services; and (iii) other non-assurance services. The relevant remuneration amounted to HK\$6,378,000, HK\$166,000 and HK\$67,000, respectively.

2. The above analysis does not include the services engaged by GD Land. Please refer to the 2023 annual report of GD Land for the relevant details.

### 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.

## Accountability and Audit (continued)

### Risk Management and Internal Control (continued)

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 environmental, social and governance risks) and internal control system and is satisfied that the risk management and internal control systems (including those for environmental, social and governance 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. All members of the Board have access to the advice and service of the Company Secretary for the ongoing discharge of their duties and responsibilities.

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 and Chief Compliance Officer 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 three 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.

## Investor Relations

### Communication with Shareholders

The Company is committed to promoting and maintaining effective communication as a way to enhance long-term shareholder value and to maintain the trust and confidence of the Company's shareholders, both individual and institutional (collectively, the "Shareholders"). The Company has adopted a communication policy for shareholders (the "Shareholders' Communication Policy") to ensure that Shareholders and the investment community are provided with appropriate and timely access to material information about the Company and its subsidiaries (including their financial performance, material developments, strategic goals and plans, governance and risk profile). The Shareholders' Communication Policy sets out the Company's framework to promote effective communication with its Shareholders so as to enable them to exercise their rights as shareholders in an informed manner, and to allow the investment community to engage actively with the Company, whilst at the same time ensuring that the Company fulfils its reporting obligations under the Listing Rules. 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 2023 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. Shareholders are encouraged to elect the environmentally responsible option of receiving corporate information on the Company via email notification and/or accessing them on the Company's website. Moreover, additional information on the Company is also available to shareholders and stakeholders through the "Investor Relations" page on the Company's website.

In order to encourage Shareholders to elect the environmentally responsible option of receiving corporate information of the Company via email notification and/or accessing them on the Company's website, the Company revised the Shareholders' Communication Policy on 25 March 2024.

### 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 aims to generate stable and sustainable returns for its Shareholders. In deciding whether to recommend the payment of any dividend and in determining the amount thereof, the Board will take into account the actual and expected financial performance and position of the Group (including operating income, operating cash flows, the level of debt to equity ratio and return on equity ratio), the Group's investment, financing and business needs, any contractual restrictions imposed on the payment of dividends, the then prevailing general economic conditions and outlook, the Group's past dividend payments, the dividend payout ratio of its peers and other factors that the Board may from time to time consider appropriate. The Company also aims to strike a balance between the sharing of the Company's profit with the Shareholders and preserve sufficient funds for its development and operation.

The payment of dividend is subject to compliance with applicable laws and regulations including the laws of Hong Kong and the articles of association of the Company. There can be no assurance that dividends will be paid in any particular amount for any given period.

# CORPORATE GOVERNANCE REPORT

## 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.

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 2023 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 2023 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 of the Company, 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.

# CORPORATE GOVERNANCE REPORT

## 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 2023, 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 2023 environmental, social and governance report to be issued separately.

## 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

**BAI Tao**

*Chairman*

Hong Kong, 25 March 2024

# 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 69 to 201, which comprise the consolidated statement of financial position as at 31 December 2023, 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, comprising material accounting policy information and other explanatory information.

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 2023 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 ("HKSA") 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 92 to 114.

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2023, the Group had completed investment properties stated at fair value of HK\$25,502 million. Changes in fair value during the year recognised and presented as fair value gains on investment properties amounted to HK\$330 million for the year ended 31 December 2023.</p>	<p>Our audit procedures to assess the fair value of investment properties included the following:</p> <ul style="list-style-type: none"><li>obtaining and inspecting the valuation reports prepared by the external property valuers engaged by management;</li></ul>
<p>Management has engaged external valuers to determine the valuation of the Group's investment properties as at 31 December 2023. The determination of these fair values involves significant judgement and estimation, particularly in relation to selecting the appropriate valuation methodology, capitalisation rates, term yield and market rents.</p>	<ul style="list-style-type: none"><li>assessing the external property valuers' competence, capabilities and objectivity;</li><li>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:</li></ul>
<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>	<ul style="list-style-type: none"><li>evaluating appropriateness of the valuation methodology adopted with reference to the requirements of the prevailing accounting standards;</li><li>assessing the reasonableness of the key estimates and assumptions (including capitalisation rates, term yield and market rents), by comparing with market data; and</li></ul>
	<ul style="list-style-type: none"><li>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.</li></ul>

# 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 92 to 114.

#### The Key Audit Matter

#### How the matter was addressed in our audit

As at 31 December 2023, the aggregate carrying value of the Group's properties held for sale under development and completed properties held for sale (together "Properties") totalled HK\$32,828 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.

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 2023 with budgets made at 31 December 2022, 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 HKSAAs 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 HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

25 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>REVENUE</b>	5	<b>24,199,894</b>	23,196,238
Cost of sales		<b>(14,124,708)</b>	(13,373,075)
<b>Gross profit</b>		<b>10,075,186</b>	9,823,163
Other income and gains, net	5	<b>525,852</b>	406,655
Changes in fair value of investment properties		<b>330,313</b>	937,012
Selling and distribution expenses		<b>(916,631)</b>	(739,266)
Administrative expenses		<b>(2,759,558)</b>	(2,820,002)
Exchange differences, net		<b>(7,404)</b>	48,028
Other operating (expenses)/income, net		<b>(1,547,812)</b>	403,886
Finance costs	7	<b>(1,289,302)</b>	(860,453)
Share of profits less losses of associates		<b>193,411</b>	44,515
<b>PROFIT BEFORE TAX</b>	6	<b>4,604,055</b>	7,243,538
Income tax expense	10	<b>(1,790,200)</b>	(1,719,345)
<b>PROFIT FOR THE YEAR</b>		<b>2,813,855</b>	5,524,193
<b>Attributable to:</b>			
Owners of the Company		<b>3,122,069</b>	4,763,503
Non-controlling interests		<b>(308,214)</b>	760,690
		<b>2,813,855</b>	5,524,193
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	12		
Basic and diluted		<b>HK47.75 cents</b>	HK72.86 cents

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
<b>PROFIT FOR THE YEAR</b>	<b>2,813,855</b>	5,524,193
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations:		
– Subsidiaries	<b>(806,706)</b>	(4,683,969)
– Associates	<b>(53,863)</b>	(400,839)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	<b>(860,569)</b>	(5,084,808)
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	<b>2,039</b>	–
Fair value gains of property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	<b>31,965</b>	23,962
Share of remeasurement gain/(loss) on defined benefit plans, net of tax		
– Subsidiaries	<b>39,053</b>	6,591
– An associate	<b>15,344</b>	(206)
	<b>88,401</b>	30,347
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>(772,168)</b>	(5,054,461)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>2,041,687</b>	469,732
<b>Attributable to:</b>		
Owners of the Company	<b>2,484,022</b>	977,517
Non-controlling interests	<b>(442,335)</b>	(507,785)
	<b>2,041,687</b>	469,732

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	10,289,697	7,569,778
Investment properties	14	25,502,014	25,073,134
Right-of-use assets	15(a)	1,056,960	611,367
Goodwill	16	851,725	841,202
Other intangible assets	17	660,065	706,345
Investments in associates	18	3,702,949	4,031,380
Operating concession rights	19(a)	21,638,190	21,842,960
Receivables under service concession arrangements	19(b)	17,191,845	16,296,533
Receivables under a cooperative arrangement	20	1,966,103	2,034,000
Equity investments designated at fair value through other comprehensive income	22	56,829	55,039
Prepayments and other receivables	24	510,304	950,298
Deferred tax assets	30	1,261,480	1,281,832
<b>Total non-current assets</b>		<b>84,688,161</b>	81,293,868
<b>CURRENT ASSETS</b>			
Properties held for sale under development	21	23,591,871	29,909,189
Completed properties held for sale	21	9,236,027	5,513,094
Tax recoverable		617,911	298,847
Inventories	23	355,818	302,063
Receivables under service concession arrangements	19(b)	578,348	375,500
Receivables under a cooperative arrangement	20	256,293	105,111
Receivables, prepayments and other receivables	24	6,658,147	5,277,675
Due from non-controlling equity holders of subsidiaries	27	901,896	918,079
Restricted bank balances	25	487,884	583,074
Cash and bank balances	25	12,593,616	8,938,120
<b>Total current assets</b>		<b>55,277,811</b>	52,220,752

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>CURRENT LIABILITIES</b>			
Payables, accruals and other liabilities	26(a)	(16,375,510)	(14,835,801)
Contract liabilities	26(b)	(10,818,229)	(6,830,491)
Tax payable		(2,683,487)	(3,206,500)
Due to non-controlling equity holders of subsidiaries	27	(488,767)	(672,969)
Bank and other borrowings	28	(15,252,492)	(10,044,788)
Lease liabilities	15(b)	(47,707)	(77,733)
Total current liabilities		(45,666,192)	(35,668,282)
<b>NET CURRENT ASSETS</b>		<b>9,611,619</b>	16,552,470
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>94,299,780</b>	97,846,338
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings	28	(27,175,184)	(30,690,800)
Lease liabilities	15(b)	(558,113)	(563,173)
Due to non-controlling equity holders of subsidiaries	27	(4,416)	(113,000)
Other liabilities and contract liabilities	29	(1,383,185)	(1,393,240)
Deferred tax liabilities	30	(7,149,257)	(6,576,808)
Total non-current liabilities		(36,270,155)	(39,337,021)
<b>Net assets</b>		<b>58,029,625</b>	58,509,317
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	31	8,966,177	8,966,177
Reserves	32	32,836,033	34,362,465
Non-controlling interests		41,802,210	43,328,642
		16,227,415	15,180,675
<b>Total equity</b>		<b>58,029,625</b>	58,509,317

Bai Tao  
Director

Liang Yuanjuan  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

Notes	Attributable to owners of the Company											
	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	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (note 32(iii))	HK\$'000 (note 32(ii))	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note 32(iii))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023	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
Profit for the year	-	-	-	-	-	-	-	-	3,122,069	3,122,069	(308,214)	2,813,855
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations												
– Subsidiaries	-	-	-	-	(646,518)	-	-	-	-	(646,518)	(160,188)	(806,706)
– Associates	-	-	-	-	(53,863)	-	-	-	-	(53,863)	-	(53,863)
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	1,505	-	-	1,505	534	2,039
Fair value gains on property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	-	22,001	-	-	-	-	-	-	-	22,001	9,964	31,965
Share of remeasurement gain on defined benefit plan, net of tax												
– Subsidiaries	-	-	-	-	-	-	-	23,484	-	23,484	15,569	39,053
– An associate	-	-	-	-	-	-	-	15,344	-	15,344	-	15,344
Total comprehensive income for the year	-	22,001	-	-	(700,381)	-	1,505	38,828	3,122,069	2,484,022	(442,335)	2,041,687
Business combinations through acquisition of subsidiaries	34	-	-	-	-	-	-	-	-	-	839,285	839,285
Dissolution of a subsidiary	-	-	-	(808)	-	-	-	-	-	(808)	-	(808)
Transfer to retained profits upon disposal of investment properties	-	(16,892)	-	-	-	-	-	-	16,892	-	-	-
Capital injection from non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	970,705	970,705
Capital reduction to a non-controlling equity holder of a subsidiary	-	-	-	-	-	-	-	-	-	-	(35,687)	(35,687)
Dividends paid and payable to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(285,228)	(285,228)
Transfer from retained profits	-	-	-	428,719	-	-	-	-	(428,719)	-	-	-
Appropriation of safety production funds	-	-	-	-	-	11,225	-	-	(11,225)	-	-	-
Final 2022 dividend paid	-	-	-	-	-	-	-	-	(2,786,420)	(2,786,420)	-	(2,786,420)
Interim 2023 dividend paid	11	-	-	-	-	-	-	-	(1,223,226)	(1,223,226)	-	(1,223,226)
At 31 December 2023	8,966,177	474,528*	1,756,566*	4,644,080*	(2,178,311)*	(109,577)*	1,505*	19,690*	28,227,552*	41,802,210	16,227,415	58,029,625

\* These reserve accounts comprise the consolidated reserves of HK\$32,836,033,000 (2022: HK\$34,362,465,000) in the consolidated statement of financial position as at 31 December 2023.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

Notes	Attributable to owners of the Company											
	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	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (note 32(iii))	HK\$'000 (note 32(ii))	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note 32(iii))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		4,604,055	7,243,538
Adjustments for:			
Finance costs	7	1,289,302	860,453
Share of profits less losses of associates		(193,411)	(44,515)
Bank interest income	5	(226,050)	(144,027)
Interest income from receivables under a cooperative arrangement	5	(144,649)	(114,913)
Loss/(gain) on disposal of subsidiaries, net	6	3,544	(27,893)
Loss on disposal of an associate	6	–	4,602
Gain on deemed disposal of associates	6	(13,814)	–
Depreciation of property, plant and equipment	6	859,130	651,580
Depreciation of right-of-use assets	6	79,070	75,714
Amortisation of operating concession rights	6	1,511,190	1,320,355
Amortisation of other intangible assets	6	36,430	17,487
Gain on lease modification	6	(616)	(78,553)
Changes in fair value of investment properties	14	(330,313)	(937,012)
Gain on disposal of property, plant and equipment, net	6	(149,003)	(1,561)
Gain on disposal of an investment property	6	–	(102,519)
Gain on disposal of operating concession rights, net	6	–	(61,101)
Exchange gain, net		(10,371)	(53,577)
Impairment on items of property, plant and equipment	6	1,047	–
Write-down of properties held sale under development and completed properties held for sale	6	1,808,996	–
Provision/(reversal) of impairment losses for trade receivables, net	6	3,894	(8,878)
Operating profit before working capital changes		9,128,431	8,599,180
Decrease/(increase) in inventories		41,083	(22,728)
Increase in receivables, prepayments, other receivables and assets		(878,650)	(1,431,075)
Increase in receivables under service concession arrangements		(1,334,191)	(2,527,617)
Decrease in completed properties held for sale		3,787,680	867,690
Increase in properties held for sale under development		(2,828,532)	(4,142,774)
Increase/(decrease) in payables, accruals and other liabilities		787,846	(4,227,735)
Increase in contract liabilities		4,059,539	3,641,955
Movement in balances with non-controlling equity holders of subsidiaries, net		(271,174)	(450,445)
Decrease/(increase) in restricted bank balances		87,448	(164,073)
<b>Cash generated from operations</b>		<b>12,579,480</b>	142,378
Interest received		211,514	203,109
Dividends received from associates		62,582	64,099
Mainland China tax paid		(2,130,749)	(1,801,623)
Hong Kong Profits Tax paid		(12,273)	(6,811)
<b>Net cash flows generated from/(used in) operating activities</b>		<b>10,710,554</b>	(1,398,848)

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net movement in receivables under a cooperative agreement		30,017	124,000
Purchases of property, plant and equipment		(728,442)	(712,615)
Additions to right-of-use assets		(48,690)	(11,259)
Additions to service concession arrangements		(322,707)	(2,130,452)
Additions to investment properties		(719,965)	(728,225)
Additions to other intangible assets		–	(41,277)
Additions to equity investments designated at fair value through other comprehensive income		–	(37,650)
Business combinations through acquisition of subsidiaries	34	238,216	(897,170)
Asset acquisitions through acquisition of subsidiaries	35	–	(880,139)
Capital injection in associates		–	(35,842)
Proceeds from disposal of property, plant and equipment		39,317	37,850
(Increase)/decrease in non-pledged time deposits with original maturity of more than three months when acquired		(1,085,669)	597,236
Net cash outflows arising from disposal of subsidiaries	36	–	(86,517)
Deposits paid for acquisition of subsidiaries		–	(284,909)
Proceeds from disposal of subsidiaries in prior year		94,501	–
Settlement of consideration payable for acquisition of subsidiaries in the prior years		–	(707,823)
<b>Net cash flows used in investing activities</b>		<b>(2,503,422)</b>	<b>(5,794,792)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank and other borrowings		23,287,665	25,874,472
Repayments of bank and other borrowings		(23,024,136)	(11,996,896)
Interest paid		(1,810,976)	(1,448,220)
Capital contribution from non-controlling equity holders of subsidiaries		970,705	86,331
Capital reduction to a non-controlling equity holder of a subsidiary		(35,687)	–
Principal portion of lease payments	37(d)	(88,811)	(73,380)
Dividends paid to non-controlling equity holders of subsidiaries		(309,635)	(264,556)
Dividends paid to shareholders		(4,009,646)	(4,004,415)
Payment for the acquisition of non-controlling interests in a subsidiary		(278,534)	(201,699)
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(5,299,055)</b>	<b>7,971,637</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>2,908,077</b>	<b>777,997</b>
Cash and cash equivalents at beginning of year		8,814,565	8,833,627
Effect of foreign exchange rate changes, net		(329,193)	(797,059)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>11,393,449</b>	<b>8,814,565</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	25	11,055,992	8,294,680
Non-pledged time deposits with original maturity of less than three months when acquired	25	337,457	519,885
Cash and cash equivalents as stated in the consolidated statement of cash flows		<b>11,393,449</b>	<b>8,814,565</b>

# NOTES TO THE 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 2023 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. <sup>(2)(4)</sup>	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.▲) <sup>(4)</sup>	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.▲) <sup>(1)</sup>	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. ▲) <sup>(1)(4)</sup>	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. ▲) <sup>(1)</sup>	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.”) <sup>(4)(6)</sup>	Mainland China	RMB180,000,000	–	43.86%	Water distribution operation

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2023 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") <sup>(3)(10)</sup>	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.) <sup>(1)</sup>	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") <sup>(1)</sup>	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.) <sup>(2)(4)</sup>	Mainland China	RMB91,400,000	–	60%	Water distribution operation
高州粵海水務有限公司 (Gaozhou Guangdong Water Co., Ltd.) <sup>(1)</sup>	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.) <sup>(4)</sup>	Mainland China	RMB133,000,000	–	100%	Hotel ownership and operation
珠海粵海酒店 (Guangdong Hotel (Zhu Hai)) <sup>(3)</sup>	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 THE FINANCIAL STATEMENTS

## 1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2023 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")	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	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.▲) <sup>(4)</sup>	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▲) <sup>(1)</sup>	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.▲) <sup>(4)</sup>	Mainland China	RMB50,000,000	–	85.20%	Department store operation
Guangdong Water Holdings Limited ("Water Holdings") <sup>(9)</sup>	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.▲) <sup>(4)</sup>	Mainland China	RMB2,000,000,000	–	100%	Investment holding
Guangdong Yue Gang Water Supply Company Limited ("WaterCo") <sup>(2)(5)</sup>	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.▲) <sup>(4)(11)</sup>	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.▲) ("GDH Highway") <sup>(4)</sup>	Mainland China	RMB818,000,000	–	100%	Toll road operation

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2023 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	
廣州粵海萬亞投資發展有限公司 (Guangzhou Yuehai Wanye Investment Development Company Limited▲) ("Wanye") <sup>(4)(6)</sup>	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.▲) <sup>(1)</sup>	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.▲) <sup>(3)</sup>	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") <sup>(4)(13)</sup>	Mainland China	RMB296,666,700	–	100%	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.▲) <sup>(4)</sup>	Mainland China	RMB108,550,000	–	51%	Water distribution operation
開平粵海水務有限公司 (Kaiping Guangdong Water Co., Ltd.▲) <sup>(4)</sup>	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.▲) <sup>(4)</sup>	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.▲) <sup>(1)</sup>	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.▲) <sup>(4)</sup>	Mainland China	RMB360,000,000	–	90%	Sewage treatment operation
梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲) <sup>(2)</sup>	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.▲) <sup>(4)</sup>	Mainland China	RMB45,000,000	–	80%	Water distribution operation

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2023 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.▲) <sup>(4)</sup>	Mainland China	RMB199,148,900	–	92%	Sewage treatment operation
邳州粵海水務有限公司 (Pizhou Guangdong Water Co., Ltd.▲) <sup>(4)</sup>	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.▲) <sup>(4)</sup>	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.▲) <sup>(1)</sup>	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.▲) <sup>(4)</sup>	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.▲) <sup>(1)</sup>	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.▲) <sup>(2)(4)</sup>	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▲) <sup>(3)</sup>	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.▲) <sup>(4)(8)</sup>	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.▲) <sup>(4)</sup>	Mainland China	RMB10,000,000	–	76.13%	Property investment

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2023 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") <sup>(1)</sup>	Mainland China	RMB60,000,000	–	70%	Water distribution and sewage treatment operation
Tianjin YueHai Teem Shopping Center Co., Ltd. <sup>(3)</sup>	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.▲) <sup>(4)</sup>	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.▲) <sup>(3)</sup>	Mainland China	RMB95,000,000	–	100%	Sewage treatment operation
Wuzhou GDH Environmental Protection Development Co., Ltd. <sup>(1)</sup>	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.▲) <sup>(2)(4)</sup>	Mainland China	RMB110,000,000	–	51%	Water distribution operation
盱眙粵海水務有限公司 (Xuyi Guangdong Water Co., Ltd.▲) <sup>(1)</sup>	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.▲) <sup>(1)</sup>	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.▲) <sup>(4)</sup>	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.▲) <sup>(2)(4)</sup>	Mainland China	RMB141,400,000	–	60%	Water distribution operation

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2023 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	Hong Kong	HK\$170,000,002	100%	–	Finance
雲浮粵海水務有限公司 (Yunfu Guangdong Water Co., Ltd.▲) <sup>(1)</sup>	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.▲) <sup>(4)</sup>	Mainland China	RMB900,000,000	–	65%	Water distribution operation
Zhaoqing HZ GDH Water Co., Ltd. <sup>(2)(4)</sup>	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") <sup>(2)</sup>	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. ▲) <sup>(4)</sup>	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. ▲) <sup>(3)</sup>	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▲) <sup>(3)</sup>	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▲) <sup>(4)</sup>	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▲) <sup>(2)</sup>	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▲) <sup>(3)</sup>	Mainland China	RMB10,000,000	100%	–	Finance

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2023 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.▲) <sup>(1)</sup>	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.▲) <sup>(4)</sup>	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 ▲) <sup>(4)</sup>	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▲) <sup>(4)</sup>	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▲) <sup>(4)</sup>	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▲) <sup>(4)</sup>	Mainland China	RMB32,000,000	–	100%	Water distribution operation
來安縣粵海供水有限責任公司 (Lai'an Guangdong Water Supply Company Limited▲) <sup>(4)</sup>	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▲) <sup>(4)</sup>	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▲) <sup>(4)</sup>	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.▲) <sup>(4)</sup>	Mainland China	RMB530,000,000	–	73.82%	Property development

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2023 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.▲) <sup>(4)</sup>	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.▲) <sup>(4)</sup>	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.▲) <sup>(4)</sup>	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.▲) <sup>(4)</sup>	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.▲) <sup>(4)</sup>	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.▲) <sup>(4)</sup>	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▲) <sup>(4)</sup>	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.▲) <sup>(4)</sup>	Mainland China	RMB482,274,000	–	95%	Sewage treatment operation
珠海粵海置地有限公司 (Zhuhai Yuehai Land Co., Limited▲) <sup>(4)(12)</sup>	Mainland China	RMB930,000,000	–	73.82%	Property development
佛山粵海置地有限公司 (Foshan Yuehai Land Co., Ltd.▲) <sup>(4)</sup>	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.▲) <sup>(4)</sup>	Mainland China	RMB132,010,581	–	73.82%	Property development and investment
河源市粵海水務有限公司 (Heyuan City Guangdong Water Co., Ltd.▲) <sup>(4)(8)</sup>	Mainland China	RMB200,000,000	–	100%	Water distribution operation

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2023 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	
河源市粵海市政工程有限公司 (Heyuan City Yuehai Municipal Engineering Co., Ltd. ▲) <sup>(4)(8)</sup>	Mainland China	RMB10,000,000	–	100%	Water supply construction work operation and sales of equipment
雲浮市粵海水務發展有限公司 (Yunfu City Guangdong Water Development Co., Ltd. ▲) (formerly known as 雲浮市粵海環保有限公司 (Yunfu City Guangdong Huanbao Co., Ltd. ▲) <sup>(4)</sup>	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. ▲) <sup>(4)</sup>	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 Urban and Rural Water Supply Co., Ltd. ▲) <sup>(4)</sup>	Mainland China	RMB54,583,130	–	62.9%	Water distribution operation
湘陰粵海水務有限公司 (Xiangyin Guangdong Water Co., Ltd. ▲) <sup>(4)</sup>	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. ▲) <sup>(4)(8)</sup>	Mainland China	RMB50,000,000	–	75%	Sewage treatment operation
無錫德碩水務有限公司 (Wuxi Deshuo Water Co., Ltd. ▲) <sup>(4)(8)</sup>	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. ▲) <sup>(4)(8)</sup>	Mainland China	RMB10,000,000	–	75%	Sewage treatment operation
中山市新涌口粵海水務有限公司 (Zhongshan City Xinyongkou Guangdong Water Co., Ltd. ▲) <sup>(7)</sup>	Mainland China	RMB4,100,000	–	51%	Water distribution operation
中山市南鎮粵海水務有限公司 (Zhongshan City Nanzhen Guangdong Water Co., Ltd. ▲) <sup>(7)</sup>	Mainland China	RMB5,000,000	–	51%	Water distribution operation

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2023 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	
中山市橫欄粵海水務有限公司 (Zhongshan City Henglan Guangdong Water Co., Ltd.▲) <sup>(7)</sup>	Mainland China	RMB5,500,000	–	51%	Water distribution operation
清遠市龍塘粵海水務有限公司 (Qingyuan City Longtang Guangdong Water Co., Ltd.▲) <sup>(7)</sup>	Mainland China	RMB15,347,400	–	51%	Water distribution operation
東莞常平粵海水務有限公司 (Dongguan Changping Guangdong Water Co., Ltd.▲) <sup>(7)</sup>	Mainland China	RMB10,000,000	–	100%	Water distribution operation
東莞市常粵水務工程有限公司 (Dongguan Changyue Water Engineering Co., Ltd.▲) <sup>(7)</sup>	Mainland China	RMB10,000,000	–	100%	Water distribution operation
Guangzhou Nansha GDH Water Co., Ltd. <sup>(7)</sup> (“Nansha GDH”)	Mainland China	RMB596,027,377	–	60%	Water distribution operation
廣州南粵市政工程有限公司 (Guangzhou Nanyue Municipal Engineering Co., Ltd.▲) <sup>(7)</sup>	Mainland China	RMB10,000,000	–	60%	Water distribution operation
汕尾粵海水務有限公司 (Shanwei Guangdong Water Co., Ltd.▲) <sup>(7)</sup>	Mainland China	RMB60,000,000	–	51%	Water distribution 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Corporate and group information *(continued)*

### Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 are as follows: *(continued)*

*Notes: (continued)*

- (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 2023, further details of which are set out in note 34 to these financial statements.
- (8) 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.
- (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.
- (10) During the year ended 31 December 2023, the Group contributed RMB24,956,110 (2022: RMB100,000,000) to Dongguan Yuehai Yinping as paid-up capital.
- (11) The shares of Guangdong Yuehai Property Development Co., Ltd. were pledged to secure certain bank borrowings (note 28).
- (12) The shares of Zhuhai Yuehai Land Co., Limited were pledged to secure certain bank borrowings (note 28).
- (13) 79% equity interest in Jiangxi Guangdong with an investment cost of HK\$1,795,251,000 (2022: HK\$1,821,281,000) was pledged to secure a bank loan (note 28).
- ▲ 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 THE 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”) 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 2023. 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 THE FINANCIAL STATEMENTS

## 2.2 Changes in accounting policies

### (a) New and amended HKFRSs

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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 new and amended HKFRSs are discussed below:

#### *HKFRS 17, Insurance contracts*

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.

#### *Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

#### *Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.2 Changes in accounting policies (continued)

(a) New and amended HKFRSs (continued)

*Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented. The amendments do not have a material impact on financial statements.

*Amendments to HKAS 12, Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”) (income tax arising from such tax laws is hereafter referred to as “Pillar Two income taxes”), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments do not have a material impact on these financial statements.

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will eventually abolish the statutory right of an employer to reduce its long service payment (“LSP”) and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund (“MPF”) scheme (also known as the “offsetting mechanism”). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the “Transition Date”). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

The new guidance does not have a material impact on these financial statements.

## NOTES TO THE 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 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
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
Amendments to HKAS 7, <i>Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2025

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 material 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 THE FINANCIAL STATEMENTS

### 2.4 Summary of material 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 THE FINANCIAL STATEMENTS

### 2.4 Summary of material 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 ("CGU"), or groups of CGU, 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 CGU (group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGU) 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 CGU (or group of CGU) 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 CGU 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 THE FINANCIAL STATEMENTS

## 2.4 Summary of material 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 CGU'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 CGU to which the asset belongs. In testing a CGU for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual CGU if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of CGUs.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.4 Summary of material accounting policies (continued)

#### Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset or CGU 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 THE FINANCIAL STATEMENTS

### 2.4 Summary of material accounting policies (continued)

Related parties (continued)

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

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 THE FINANCIAL STATEMENTS

## 2.4 Summary of material 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, and is generally recognised in profit or loss. 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% – 45%
Leasehold improvements	Over the shorter of three to five years and the lease terms
Motor vehicles	8% – 30%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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 property is initially measured at cost, and subsequently at fair value with changes therein recognised in profit and loss.

Any gains or losses on disposal of investment property are recognised in profit or loss.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2.4 Summary of material accounting policies (continued)

### Investment properties (continued)

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. This is the case 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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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".

# NOTES TO THE FINANCIAL STATEMENTS

## 2.4 Summary of material accounting policies (continued)

Leases (continued)

*The Group as a lessee* (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the 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.

*The Group as a lessor*

The Group determines at lease inception whether each lease is a finance lease or an operating 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.4 Summary of material accounting policies (continued)

#### Service concession arrangements

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2.4 Summary of material accounting policies *(continued)*

#### Intangible assets (other than goodwill)

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

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

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

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

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

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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.4 Summary of material accounting policies (continued)

#### Investments and other financial assets (continued)

##### *Initial recognition and measurement (continued)*

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.

##### *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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2.4 Summary of material accounting policies (continued)

### Derecognition of financial assets

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

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

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

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

### Impairment of financial assets

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

#### *General approach*

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2.4 Summary of material accounting policies (continued)

#### Impairment of financial assets (continued)

##### *General approach (continued)*

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

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

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

##### *Simplified approach*

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

For 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:

# NOTES TO THE FINANCIAL STATEMENTS

## 2.4 Summary of material accounting policies (continued)

### Financial liabilities (continued)

#### *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.

#### *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 other 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.4 Summary of material accounting policies (continued)

#### Provisions

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

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

#### Income tax

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

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

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 does not give rise to equal taxable and deductible temporary differences;
- 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; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

# NOTES TO THE FINANCIAL STATEMENTS

## 2.4 Summary of material accounting policies (continued)

### Income tax (continued)

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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.4 Summary of material accounting policies (continued)

#### Government grants (continued)

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.4 Summary of material accounting policies (continued)

#### Revenue recognition (continued)

##### *Revenue from contracts with customers (continued)*

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.

(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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2.4 Summary of material accounting policies (continued)

### Revenue recognition (continued)

#### *Revenue from contracts with customers (continued)*

- (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.

#### *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 in profit or loss on the date on which the Group's 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2.4 Summary of material accounting policies (continued)

### 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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.4 Summary of material accounting policies (continued)

Other employee benefits (continued)

*Retirement benefit schemes* (continued)

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 expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.4 Summary of material accounting policies (continued)

#### Foreign currencies

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 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) *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.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 Significant accounting judgements and estimates (continued)

### Estimation uncertainty

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

(i) *Estimation of fair values of investment properties*

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

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices;
- (c) discounted cash flow projections, based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows;
- (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 2023 was HK\$25,502,014,000 (2022: HK\$25,073,134,000).

(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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Significant accounting judgements and estimates (continued)

#### Estimation uncertainty (continued)

(iii) *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 2023 was HK\$270,721,000 (2022: HK\$241,857,000). The amount of unrecognised tax losses as at 31 December 2023 was HK\$1,238,684,000 (2022: HK\$1,019,950,000). Further details are set out in note 30 to the financial statements.

(iv) *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.

(v) *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 2023 were HK\$23,591,871,000 (2022: HK\$29,909,189,000) and HK\$9,236,027,000 (2022: HK\$5,513,094,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 Mainland China and Hong Kong 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 Guangdong Province, the PRC;
- (v) The hotel operation and management segment operates the Group's hotels and provides hotel management services to certain third parties' hotels in Mainland China and Hong Kong;
- (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 Mainland China and Hong Kong 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, (loss)/gain on disposal of subsidiaries, gain on deemed disposal of associates, 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 include total 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 include total 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 THE 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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
<b>Segment revenue</b>										
Revenue from external customers	15,329,381	16,949,113	5,304,259	2,870,880	758,786	798,860	1,475,698	1,529,210	648,780	386,660
Intersegment sales	-	-	92,272	94,866	-	-	342,295	361,423	-	-
Other income and gains from external sources	75,711	50,805	8,349	7,846	16,531	17,434	41,113	43,385	97	92
Other income from intersegment transactions	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>15,405,092</b>	<b>16,999,918</b>	<b>5,404,880</b>	<b>2,973,592</b>	<b>775,317</b>	<b>816,294</b>	<b>1,859,106</b>	<b>1,934,018</b>	<b>648,877</b>	<b>386,752</b>
<b>Segment results</b>	<b>5,593,782</b>	<b>5,634,624</b>	<b>(864,652)</b>	<b>2,150,806</b>	<b>(18,218)</b>	<b>33,797</b>	<b>105,664</b>	<b>(54,339)</b>	<b>144,849</b>	<b>(56,454)</b>
Bank interest income										
(Loss)/gain on disposal of subsidiaries, net	(3,544)	27,893	-	-	-	-	-	-	-	-
Gain on deemed disposal of associates	13,814	-	-	-	-	-	-	-	-	-
Loss on disposal of an associate	-	(4,602)	-	-	-	-	-	-	-	-
Finance costs										
Share of profits less losses of associates	95,201	166,422	-	-	8,584	(16,213)	89,626	(105,694)	-	-
Profit before tax										
Income tax expense										
Profit for the year										

## NOTES TO THE FINANCIAL STATEMENTS

### 4 Operating segment information (continued)

#### (a) Operating segments (continued)

	Road and bridge		Others		Eliminations		Consolidated	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
<b>Segment revenue</b>								
Revenue from external customers	682,990	661,515	-	-	-	-	24,199,894	23,196,238
Intersegment sales	-	-	21,660	21,664	(456,227)	(477,953)	-	-
Other income and gains from external sources	147,731	119,775	-	-	-	-	289,532	239,337
Other income from intersegment transactions	-	-	5,786	6,295	(5,786)	(6,295)	-	-
<b>Total</b>	<b>830,721</b>	<b>781,290</b>	<b>27,446</b>	<b>27,959</b>	<b>(462,013)</b>	<b>(484,248)</b>	<b>24,489,426</b>	<b>23,435,575</b>
<b>Segment results</b>	<b>500,713</b>	<b>440,499</b>	<b>(148,169)</b>	<b>(305,823)</b>	<b>122,029</b>	<b>16,865</b>	<b>5,435,998</b>	<b>7,859,975</b>
Bank interest income							226,050	144,027
(Loss)/gain on disposal of subsidiaries, net	-	-	-	-	-	-	(3,544)	27,893
Gain on deemed disposal of associates	-	-	-	-	-	-	13,814	-
Loss on disposal of an associate	-	-	-	-	-	-	-	(4,602)
Finance costs	-	-	-	-	-	-	(1,261,674)	(828,270)
Share of profits less losses of associates	-	-	-	-	-	-	193,411	44,515
Profit before tax							4,604,055	7,243,538
Income tax expense							(1,790,200)	(1,719,345)
Profit for the year							2,813,855	5,524,193

# NOTES TO THE 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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment assets	53,267,723	48,622,369	60,992,028	62,740,301	963,169	1,156,597	2,900,129	2,926,730	2,112,463	2,210,789
Unallocated assets										
Total assets										
Segment liabilities	11,799,551	10,991,013	15,286,140	10,899,101	1,510,226	1,560,953	447,202	427,816	234,580	217,555
Unallocated liabilities										
Total liabilities										
Other segment information:										
Investments in associates	2,722,596	3,136,029	-	-	131,240	124,493	849,113	770,858	-	-
Depreciation and amortisation	1,798,318	1,429,576	128,896	74,490	65,137	74,101	126,854	132,566	131,508	123,799
Exchange differences, net	8,329	14,144	(36,221)	(267,306)	6,516	42,193	(6,123)	(39,459)	133	1,999
Provision/(reversal) of impairment losses										
for trade receivables, net	2,752	(12,813)	1,113	3,771	29	164	-	-	-	-
Changes in fair value of investment properties	(3,370)	-	(337,154)	(925,645)	51,666	(12,806)	-	-	(41,329)	900
Loss/(gain) on disposal of property, plant and equipment, net	(156)	(1,953)	(149,064)	78	89	129	8	-	117	152
Write-down of properties held for sale under development	-	-	841,970	-	-	-	-	-	-	-
Write-down of completed properties held for sale	-	-	967,026	-	-	-	-	-	-	-
Capital expenditure*	5,636,629	4,266,881	571,426	2,256,824	64,268	70,445	1,266	11,179	24,040	123,505

\* 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 THE FINANCIAL STATEMENTS

### 4 Operating segment information (continued)

#### (a) Operating segments (continued)

	Road and bridge		Others		Eliminations		Consolidated	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment assets	5,301,994	5,395,507	46,636	37,989	(662,010)	(744,399)	124,922,132	122,345,883
Unallocated assets							15,043,840	11,168,737
Total assets							139,965,972	133,514,620
Segment liabilities	274,451	393,828	163,627	159,207	(158,359)	(241,331)	29,557,418	24,408,142
Unallocated liabilities							52,378,929	50,597,161
Total liabilities							81,936,347	75,005,303
Other segment information:								
Investments in associates	-	-	-	-	-	-	3,702,949	4,031,380
Depreciation and amortisation	232,184	226,986	3,621	3,618	(698)	-	2,485,820	2,065,136
Exchange differences, net	4,702	24,969	29,852	176,271	216	(839)	7,404	(48,028)
Provision/(reversal) of impairment losses for trade receivables, net	-	-	-	-	-	-	3,894	(8,878)
Changes in fair value of investment properties	-	-	(126)	539	-	-	(330,313)	(937,012)
Loss/(gain) on disposal of property, plant and equipment, net	30	33	(27)	-	-	-	(149,003)	(1,561)
Write-down of properties held for sale under development	-	-	-	-	-	-	841,970	-
Write-down of completed properties held for sale	-	-	-	-	-	-	967,026	-
Capital expenditure*	3,474	9,237	3,130	1,635	(2,395)	(3,958)	6,301,838	6,735,748

\* 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 THE 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 2023 and 2022.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Revenue from external customers</b>		
Mainland China	<b>23,924,635</b>	22,999,463
Hong Kong	<b>275,259</b>	196,775
	<b>24,199,894</b>	23,196,238

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>		
Mainland China	<b>81,106,996</b>	77,646,495
Hong Kong	<b>2,262,856</b>	2,310,502
	<b>83,369,852</b>	79,956,997

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\$5,016,305,000 (2022: HK\$4,947,376,000) 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 THE FINANCIAL STATEMENTS

### 5 Revenue, and other income and gains, net

#### Revenue

(i) Disaggregated revenue information

	2023 HK\$'000	2022 HK\$'000
<b>(a) Types of goods or services:</b>		
<b>Water resources segment</b>		
Income from water distribution – Mainland China	4,532,910	3,718,429
Income from water distribution – Hong Kong	5,016,305	4,947,376
Income from sewage treatment services	868,706	855,874
Income from construction services	2,199,388	4,712,693
Income from water pipeline installation and consultancy services	1,556,107	1,513,197
Sale of machineries	318,484	460,145
<b>Property investment and development segment</b>		
Sale of properties	3,842,660	1,359,405
Management fee income	203,992	194,386
<b>Department store operation segment</b>		
Commission income from concessionaire sales	401,606	387,899
Sale of goods	298,433	345,990
Management fee income	12,717	11,241
<b>Electric power generation segment</b>		
Sale of electricity and steam	1,475,698	1,529,210
<b>Hotel operation and management segment</b>		
Hotel income	603,703	343,463
Management fee income	11,316	12,493
<b>Road and bridge segment</b>		
Toll revenue	664,252	647,855
Management and maintenance fee income	18,738	13,660
<i>Revenue from contracts with customers</i>	<b>22,025,015</b>	21,053,316
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	837,481	741,399
Rental income	1,337,398	1,401,523
<b>Total revenue</b>	<b>24,199,894</b>	23,196,238

## NOTES TO THE FINANCIAL STATEMENTS

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

Revenue (continued)

(i) Disaggregated revenue information (continued)

	2023 HK\$'000	2022 HK\$'000
<b>(b) Geographical locations*:</b>		
<b>Mainland China</b>		
Water resources segment	14,491,900	16,207,714
Property investment and development segment	4,046,652	1,553,791
Department store operation segment	712,756	745,130
Electric power generation segment	1,475,698	1,529,210
Hotel operation and management segment	403,562	223,220
Road and bridge segment	682,990	661,515
	<b>21,813,558</b>	20,920,580
<b>Hong Kong</b>		
Hotel operation and management segment	211,457	132,736
<i>Revenue from contracts with customers</i>	<b>22,025,015</b>	21,053,316
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	837,481	741,399
Rental income	1,337,398	1,401,523
	<b>24,199,894</b>	23,196,238

\* 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 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.

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.

## NOTES TO THE 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 THE 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 2023 are as follows:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Expected to be recognised within one year	<b>16,364,112</b>	11,490,813
Expected to be recognised after one year	<b>46,527,449</b>	37,339,002
	<b>62,891,561</b>	48,829,815

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	<b>226,050</b>	144,027
Interest income from receivables under a cooperative arrangement	<b>144,649</b>	114,913
Others	<b>155,153</b>	147,715
	<b>525,852</b>	406,655

## NOTES TO THE FINANCIAL STATEMENTS

### 6 Profit before tax

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

	Notes	2023 HK\$'000	2022 HK\$'000
Cost of inventories sold*		<b>1,836,942</b>	2,174,816
Cost of services rendered*		<b>7,237,779</b>	8,975,974
Cost of properties sold*		<b>3,538,797</b>	901,930
Depreciation of property, plant and equipment	13	<b>859,130</b>	651,580
Depreciation of right-of-use assets	15(a)	<b>79,070</b>	75,714
Amortisation of operating concession rights*	19(a)	<b>1,511,190</b>	1,320,355
Amortisation of other intangible assets	17	<b>36,430</b>	17,487
Impairment on items of property, plant and equipment	13	<b>1,047</b>	–
Provision/(reversal) of impairment losses for trade receivables, net <sup>^</sup>	24	<b>3,894</b>	(8,878)
Auditor's remuneration		<b>8,700</b>	8,650
Employee benefit expenses:			
Wages and salaries (excluding directors' fee)		<b>2,212,815</b>	2,237,540
Pension scheme contributions:			
– defined contribution plans		<b>289,356</b>	272,794
– defined benefit plans		<b>331</b>	3,434
Less: Forfeited contributions		<b>(31)</b>	(51)
Net pension scheme contributions <sup>#</sup>		<b>289,656</b>	276,177
Less: Amount capitalised		<b>(161,888)</b>	(228,160)
		<b>2,340,583</b>	2,285,557
Gross rental income from investment properties		<b>(1,159,137)</b>	(1,245,542)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		<b>177,219</b>	146,129
Net rental income from investment properties		<b>(981,918)</b>	(1,099,413)
Lease payments not included in the measurement of lease liabilities	15(c)	<b>9,784</b>	10,971
Gain on lease modification <sup>^</sup>	15(c)	<b>(616)</b>	(78,553)
Gain on disposal of property, plant and equipment, net <sup>^</sup>		<b>(149,003)</b>	(1,561)
Gain on disposal of an investment property <sup>^</sup>		–	(102,519)
Gain on disposal of operating concession rights, net <sup>^</sup>		–	(61,101)
Loss/(gain) on disposal of subsidiaries, net		<b>3,544</b>	(27,893)
Loss on disposal of an associate		–	4,602
Gain on deemed disposal of associates		<b>(13,814)</b>	–
Government subsidies <sup>**^</sup>		<b>(83,603)</b>	(67,186)

## NOTES TO THE FINANCIAL STATEMENTS

### 6 Profit before tax (continued)

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

	2023 HK\$'000	2022 HK\$'000
Write-down of properties held for sale under development <sup>^</sup>	841,970	–
Write-down of completed properties held for sale <sup>^</sup>	967,026	–

\* 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 2023 and 2022, the Group had no material forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years.

<sup>^</sup> Included in "Other operating (expenses)/income, net" on the face of the consolidated statement of profit or loss.

### 7 Finance costs

An analysis of finance costs is as follows:

	2023 HK\$'000	2022 HK\$'000
Interest on bank and other borrowings	1,317,368	902,796
Interest on loans from the ultimate holding company (note 40(a)(iv))	130,137	193,659
Interest on loans from fellow subsidiaries (note 40(a)(v))	377,137	369,128
Interest on loans from associates (note 40(a)(v))	23,449	702
Interest on lease liabilities (note 15(b))	27,628	32,183
Interest related to defined benefit obligations (note 42)	3,627	3,937
Finance costs incurred	1,879,346	1,502,405
Less: Interest capitalised	(590,044)	(641,952)
Finance costs charged for the year	1,289,302	860,453

The capitalised interest rates applied to funds borrowed and used for the development of properties held for sale, investment properties under development, construction in progress and operating concession rights are between 2.28% and 6.78% per annum (2022: between 2.05% and 6.65% per annum).

## NOTES TO THE FINANCIAL STATEMENTS

### 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:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Independent non-executive directors	<b>2,919</b>	3,252
Non-executive directors	–	–
	<b>2,919</b>	3,252
Other emoluments:		
Salaries, allowances and benefits in kind	<b>7,370</b>	7,370
Performance related bonuses	<b>2,227</b>	2,788
Pension scheme contributions	<b>1,549</b>	1,564
Less: Forfeited contributions	–	–
Net pension scheme contributions	<b>1,549</b>	1,564
Total directors' remuneration	<b>14,065</b>	14,974

#### (a) Independent non-executive directors

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
CHAN Cho Chak, John	<b>749</b>	749
FUNG Daniel Richard	<b>700</b>	700
CHENG Mo Chi, Moses	<b>700</b>	700
LI Man Bun, Brian David	<b>770</b>	733
WU Ting Yuk, Anthony <sup>^</sup>	–	370
	<b>2,919</b>	3,252

<sup>^</sup> Resigned as Independent Non-Executive Director of the Company on 23 June 2022.

There were no other emoluments paid to the independent non-executive directors during the year (2022: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 8 Directors' remuneration (continued)

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

	Fees <i>HK\$'000</i>	Salaries, allowances, and benefits in kind <i>HK\$'000</i>	Performance related bonuses <i>HK\$'000</i>	Net pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2023</b>					
<b>Executive directors:</b>					
BAI Tao <sup>#</sup>	-	-	-	-	-
LIN Tiejun	-	2,424	801	609	3,834
WEN Yinheng	-	2,237	670	578	3,485
TSANG Hon Nam	-	1,467	470	60	1,997
LIANG Yuanjuan	-	1,242	286	302	1,830
HOU Wailin <sup>*</sup>	-	-	-	-	-
	-	7,370	2,227	1,549	11,146
<b>Non-executive directors:</b>					
CAI Yong	-	-	-	-	-
LAN Runing	-	-	-	-	-
FENG Qingchun	-	-	-	-	-
	-	7,370	2,227	1,549	11,146

<sup>#</sup> Appointed as Executive Director of the Company on 26 October 2023.

<sup>\*</sup> Resigned as Executive Director of the Company on 26 October 2023.

## NOTES TO THE 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
2022					
<b>Executive directors:</b>					
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
<b>Non-executive directors:</b>					
CAI Yong	–	–	–	–	–
LAN Runing	–	–	–	–	–
FENG Qingchun	–	–	–	–	–
	–	7,370	2,788	1,564	11,722

### 9 Five highest paid employees

The five highest paid employees during the year included two (2022: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the other three (2022: three) highest paid employees who are not directors of the Company are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and benefits in kind	3,660	5,247
Performance related bonuses	7,685	4,954
Pension scheme contributions	1,831	540
	<b>13,176</b>	10,741

## NOTES TO THE 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:

	2023	2022
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	2	2
HK\$5,500,001 – HK\$6,000,000	1	–
	<b>3</b>	<b>3</b>

### 10 Income tax expense

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% (2022: 25%). Land appreciation tax ("LAT") has been provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation values, with certain allowable deductions.

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Current – Mainland China</b>		
Charge for the year	<b>1,332,080</b>	1,415,608
Over-provision in prior years	<b>(21,626)</b>	(14,981)
<b>Current – Hong Kong</b>		
Charge for the year	<b>10,911</b>	10,736
Over-provision in prior years	<b>(12)</b>	(238)
<b>Deferred tax (note 30)</b>	<b>468,847</b>	308,220
<b>Total tax charge for the year</b>	<b>1,790,200</b>	1,719,345

## NOTES TO THE 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:

	2023					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	9,962		4,594,093		4,604,055	
Tax at the statutory tax rates	1,644	16.5	1,148,524	25.0	1,150,168	25.0
Lower tax rates for specific provinces or enacted by local authority	-	-	(152,774)	(3.3)	(152,774)	(3.3)
Adjustments in respect of current tax of previous periods	(12)	(0.1)	(21,626)	(0.5)	(21,638)	(0.5)
Profits attributable to associates	-	-	(48,353)	(1.1)	(48,353)	(1.0)
Income not subject to tax	(152,884)	(1,534.7)	(43,545)	(0.9)	(196,429)	(4.3)
Expenses not deductible for tax	169,131	1,697.7	127,843	2.8	296,974	6.5
Effect of withholding tax on the distributable profits on the Group's PRC subsidiaries	-	-	193,161	4.2	193,161	4.2
Tax losses utilised from previous periods	(4)	-	(23,420)	(0.5)	(23,424)	(0.5)
Tax losses not recognised	-	-	173,194	3.8	173,194	3.8
LAT in Mainland China	-	-	21,188	0.5	21,188	0.5
Release of deferred LAT liabilities	-	-	(12,481)	(0.3)	(12,481)	(0.3)
LAT deductible for calculation of income tax	-	-	(2,385)	(0.1)	(2,385)	(0.1)
Temporary difference not recognised	-	-	429,246	9.3	429,246	9.3
Others	(840)	(8.4)	(15,407)	(0.3)	(16,247)	(0.4)
Tax charge at the Group's effective rates	17,035	171.0	1,773,165	38.6	1,790,200	38.9

## NOTES TO THE FINANCIAL STATEMENTS

### 10 Income tax expense (continued)

	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

### 11 Dividends

	2023 HK\$'000	2022 HK\$'000
Interim – HK18.71 cents (2022: HK18.71 cents) per ordinary share	1,223,226	1,223,226
Proposed final – HK12.33 cents (2022: HK42.62 cents) per ordinary share	806,113	2,786,420
	<b>2,029,339</b>	4,009,646

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 THE 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:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation	<b>3,122,069</b>	4,763,503
	<b>Number of shares</b>	
	<b>2023</b>	2022
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	<b>6,537,821,440</b>	6,537,821,440

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2023 and 2022 in the calculation of diluted earnings per share as there were no potential dilutive ordinary shares during the years ended 31 December 2023 and 2022.

# NOTES TO THE 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 2023:									
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
At 1 January 2023, 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	
Additions	-	12,565	8,650	49,633	93,715	18,801	11,786	531,829	726,979
Business combinations through acquisition of subsidiaries (note 34)	-	1,906,790	277,782	159,060	74,309	-	6,061	412,146	2,836,148
Disposals and write-offs	(584)	(30,835)	(181)	(940)	(2,695)	(1,716)	(239)	(9,432)	(46,622)
Surplus on revaluation	-	42,620	-	-	-	-	-	-	42,620
Impairment	-	(293)	-	(600)	(152)	-	(2)	-	(1,047)
Depreciation provided during the year (note 6)	(71,460)	(221,426)	(73,997)	(292,685)	(143,731)	(47,157)	(8,674)	-	(859,130)
Transfer from/(to) investment properties, net (note 14)	7,740	139,199	-	-	(207)	-	-	-	146,732
Transfers	-	534,464	124,187	254,415	54,119	2,217	-	(969,402)	-
Exchange realignment	(10,258)	(42,831)	(22,596)	(38,304)	(4,329)	(538)	(381)	(6,524)	(125,761)
At 31 December 2023, net of accumulated depreciation and impairment									
1,216,265	3,468,475	1,569,054	2,870,637	526,319	197,923	44,049	396,975	10,289,697	
At 31 December 2023:									
Cost	2,509,409	4,623,828	1,999,312	5,398,389	1,226,911	530,812	80,370	396,975	16,766,006
Accumulated depreciation and impairment	(1,293,144)	(1,155,353)	(430,258)	(2,527,752)	(700,592)	(332,889)	(36,321)	-	(6,476,309)
Net carrying amount	1,216,265	3,468,475	1,569,054	2,870,637	526,319	197,923	44,049	396,975	10,289,697

# NOTES TO THE 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 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, net (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									
Cost	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

As at 31 December 2023, property ownership certificates of certain buildings with a net carrying value of HK\$90,729,000 (2022: HK\$69,157,000) have not been issued. The Group is in the process of obtaining the certificates.

## NOTES TO THE 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 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 (note 35)	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 (note 13)	126,431	–	126,431
Transfer from right-of-use assets, net (note 15(a))	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 and 1 January 2023	<b>20,041,445</b>	<b>5,031,689</b>	<b>25,073,134</b>
Additions	<b>14,198</b>	<b>524,981</b>	<b>539,179</b>
Transfer from investment properties under development to completed investment properties	<b>5,809,588</b>	<b>(5,809,588)</b>	–
Transfer from completed properties held for sale to completed investment properties	<b>20,783</b>	–	<b>20,783</b>
Business combinations through acquisition of subsidiaries (note 34)	<b>69,177</b>	–	<b>69,177</b>
Net gain from fair value adjustments	<b>77,395</b>	<b>252,918</b>	<b>330,313</b>
Transfer to property, plant and equipment, net (note 13)	<b>(146,732)</b>	–	<b>(146,732)</b>
Transfer from right-of-use assets, net (note 15(a))	<b>7,911</b>	–	<b>7,911</b>
Lease modification	<b>(14,332)</b>	–	<b>(14,332)</b>
Exchange realignment	<b>(377,419)</b>	–	<b>(377,419)</b>
Carrying amount at 31 December 2023	<b>25,502,014</b>	–	<b>25,502,014</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 14 Investment properties (continued)

As at 31 December 2023, investment properties under development at fair value of Nil (2022: HK\$5,031,689,000) and completed investment properties of fair value HK\$6,583,925,000 (2022: HK\$3,623,912,000) 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 2023, the fair values have been determined by Vigers Appraisal & Consulting Limited and Guangdong Zhixin Asset Evaluation Co., Ltd (2022: Vigers Appraisal & Consulting Limited and Guangdong Zhixin Asset Evaluation Co., Ltd), at an aggregate amount of HK\$25,502,014,000 (2022: HK\$25,073,134,000) 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 214 and 215.

## NOTES TO THE 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 2023 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	–	–	134,962	134,962
Commercial properties	–	–	24,846,798	24,846,798
Hotel properties	–	–	520,254	520,254
	–	–	25,502,014	25,502,014

	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

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 (2022: Nil).

## NOTES TO THE 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 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 and at 1 January 2023	<b>158,809</b>	<b>19,390,155</b>	<b>5,031,689</b>	<b>492,481</b>	<b>25,073,134</b>
Additions	–	<b>14,198</b>	<b>524,981</b>	–	<b>539,179</b>
Transfer from investment properties under development at fair value to completed investment properties at fair value	–	<b>5,809,588</b>	<b>(5,809,588)</b>	–	–
Transfer from completed properties held for sale to completed investment properties at fair value	–	<b>20,783</b>	–	–	<b>20,783</b>
Business combinations through acquisition of subsidiaries	–	<b>69,177</b>	–	–	<b>69,177</b>
Net gains/(losses) from fair value adjustments	<b>(21,724)</b>	<b>57,791</b>	<b>252,918</b>	<b>41,328</b>	<b>330,313</b>
Transfer to property, plant and equipment, net	–	<b>(138,992)</b>	–	<b>(7,740)</b>	<b>(146,732)</b>
Transfer from/(to) right-of-use assets, net	–	<b>9,314</b>	–	<b>(1,403)</b>	<b>7,911</b>
Lease modification	–	<b>(14,332)</b>	–	–	<b>(14,332)</b>
Exchange realignment	<b>(2,123)</b>	<b>(370,884)</b>	–	<b>(4,412)</b>	<b>(377,419)</b>
Carrying amount at 31 December 2023	<b>134,962</b>	<b>24,846,798</b>	–	<b>520,254</b>	<b>25,502,014</b>

# NOTES TO THE 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	
			2023	2022
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\$15 to HK\$33	HK\$25 to HK\$35
		Market rent (per sq.ft. and per month)	HK\$30 to HK\$36	HK\$31 to HK\$36
		Term yield	4.5%	4.5%
		Market yield	4.6%	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\$93	HK\$85
		Term yield	5.5%	5.5%
		Market yield	6%	6%
Hotel properties located in Hong Kong	Income approach	Market yield	3.9% to 4%	3.8% to 4.02%
		Estimated net income (per annum)	HK\$23,268,000 to HK\$35,865,000	HK\$19,915,000 to HK\$32,193,000
Commercial properties located in Mainland China:				
Retail*	Income approach	Capitalisation rate	5.09% to 5.49%	4.8% to 5.3%
		Market rent/estimated rental (per sq.m. and per month)	HK\$144 to HK\$370	HK\$117 to HK\$373
Office	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.m. and per month)	HK\$61 to HK\$2,428	HK\$62 to HK\$1,647
		Market rent (per sq.m. and per month)	HK\$21 to HK\$2,064	HK\$41 to HK\$1,499
		Term yield	4.75% to 7.9%	4.75% to 7.9%
		Market yield	4.75% to 8%	4.75% to 7.9%
Retail	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.m. and per month)	HK\$2.6 to HK\$6,936	HK\$4.7 to HK\$6,715
		Market rent (per sq.m. and per month)	HK\$2.8 to HK\$5,032	HK\$4.8 to HK\$6,245
		Term yield	5% to 15%	5% to 15.5%
		Market yield	5.5% to 15%	5.5% to 15.5%
Retail	Income approach, more specifically, a term and reversion approach	Net market rent (per sq.m. and per month)	HK\$24 to HK\$193	HK\$22 to HK\$263
		Market yield	5%	5%
Retail	Market approach	Market price (per sq.m.)	HK\$11,995 to HK\$13,673	HK\$11,776 to HK\$13,358
		Estimated land value (per sq.m.)	HK\$32,330	N/A

# NOTES TO THE FINANCIAL STATEMENTS

## 14 Investment properties (continued)

Fair value hierarchy (continued)

	Valuation techniques	Significant unobservable inputs	Range	
			2023	2022
Commercial properties located in Mainland China: (continued)				
Car parking space	Income approach	Capitalisation rate Market rent per month (per car park space)	<b>4% to 4.5%</b> <b>HK\$611 to</b> <b>HK\$1,111</b>	3.18% HK\$783 to HK\$963
Car parking space	Market approach	Market price (per car parking space)	<b>HK\$110,350 to</b> <b>HK\$165,525</b>	HK\$111,950 to HK\$167,925
Hotel properties located in Mainland China	Income approach	Market yield Estimated net income (per annum)	<b>5.5% to 6.5%</b> <b>HK\$11,916,000 to</b> <b>HK\$19,509,000</b>	5.5% to 6.45% HK\$11,458,000 to HK\$13,023,000
Warehouse and residential/ non-residential properties	Market approach	Estimated land value (per sq.m.)	<b>HK\$3,000</b>	HK\$3,381
	Depreciated replacement cost method	Estimated cost of construction (per sq.m.)	<b>HK\$3,777</b>	HK\$3,582
Investment properties under development:				
The Southern land of the GDH City Project*	Residual method	Capitalisation rate	<b>N/A</b>	4.3% to 4.8%
		Estimated cost of construction (per sq.m.)	<b>N/A</b>	HK\$10,727
		Estimated developer's profit	<b>N/A</b>	7%

\* For the year ended 31 December 2023, an investment property was completed and transferred into completed investment properties from investment properties under development. As at 31 December 2023, the fair value for this investment property was derived using the income approach while as at 31 December 2022, residual method was used. Fair value gain was recognised as the developer's profit and risk margins were released.

## NOTES TO THE 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 THE 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 (2022: 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 (2022: 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 HK\$'000	Leasehold land HK\$'000	Total HK\$'000
Carrying amount at 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 and 1 January 2023	<b>249,725</b>	<b>361,642</b>	<b>611,367</b>
Additions	<b>74,471</b>	<b>48,690</b>	<b>123,161</b>
Business combinations through acquisition of subsidiaries ( <i>note 34</i> )	–	<b>447,945</b>	<b>447,945</b>
Lease modification	<b>(22,599)</b>	–	<b>(22,599)</b>
Transfer (to)/from investment properties, net ( <i>note 14</i> )	<b>(9,314)</b>	<b>1,403</b>	<b>(7,911)</b>
Depreciation charge during the year ( <i>note 6</i> )	<b>(49,386)</b>	<b>(29,684)</b>	<b>(79,070)</b>
Disposal and write-offs	<b>(1,491)</b>	–	<b>(1,491)</b>
Exchange realignment	<b>(3,461)</b>	<b>(10,981)</b>	<b>(14,442)</b>
Carrying amount at 31 December 2023	<b>237,945</b>	<b>819,015</b>	<b>1,056,960</b>

As at 31 December 2023, land use right certificates of certain leasehold land with a carrying value of HK\$31,542,000 (2022: HK\$32,506,000) have not been issued. The Group is in the process of obtaining the certificates.

## NOTES TO THE 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Carrying amount at 1 January	640,906	1,026,438
New leases	74,471	12,315
Asset acquisitions through acquisition of subsidiaries (note 35)	–	8,009
Accretion of interest recognised during the year (note 7)	27,628	32,183
Lease modification	(37,547)	(289,552)
Payments	(88,811)	(73,380)
Disposal and write-offs	(1,718)	(167)
Exchange realignment	(9,109)	(74,940)
Carrying amount at 31 December	<b>605,820</b>	640,906
Analysed into:		
Current portion	47,707	77,733
Non-current portion	558,113	563,173
	<b>605,820</b>	640,906

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on lease liabilities	27,628	32,183
Depreciation charge of right-of-use assets	79,070	75,714
Expense relating to short-term leases	9,644	10,520
Gain on lease modification	(616)	(78,553)
Variable lease payments not included in the measurement of lease liabilities	140	451
Total amount recognised in profit or loss	<b>115,866</b>	40,315

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

## NOTES TO THE FINANCIAL STATEMENTS

### 15 Leases (continued)

#### The Group as a lessor

The Group leases its investment properties (note 14) consisting of properties in Hong Kong and the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK\$1,337,398,000 (2022: HK\$1,401,523,000), details of which are included in note 5 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	1,001,871	1,163,293
After one year but within two years	695,199	786,344
After two years but within three years	370,023	465,211
After three years but within four years	179,333	209,834
After four years but within five years	102,637	114,265
After five years	144,294	146,434
	<b>2,493,357</b>	2,885,381

### 16 Goodwill

	2023 HK\$'000	2022 HK\$'000
Cost and net carrying amount at 1 January	841,202	804,957
Business combinations through acquisition of subsidiaries (note 34)	17,641	95,260
Exchange realignment	(7,118)	(59,015)
Cost and net carrying amount at 31 December	<b>851,725</b>	841,202

#### 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:

	2023 HK\$'000	2022 HK\$'000
Water distribution operations	515,022	500,988
Sewage treatment operations	336,703	340,214
	<b>851,725</b>	841,202

## NOTES TO THE 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 7 to 30 years (2022: 8 to 31 years). The pre-tax discount rates applied to the cash flow projections range from 8% to 15% (2022: 9% to 15%).

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 2023 and 2022. 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 2023 where the annual water revenue receivable from the HKSAR for the years 2024, 2025 and 2026 are HK\$5,136.24 million, HK\$5,259.00 million and HK\$5,384.69 million, respectively (2022: 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 2026 (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 7% per annum (2022: 1% to 3% per annum) over the projection periods. Operating expenses are expected to increase by 1% to 10% per annum (2022: 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 5 to 42 years (2022: 1 to 43 years). The pre-tax discount rates applied to the cash flow projections range from 8% to 15% (2022: 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 (2022: 1% to 5% per annum) over the projection periods. Operating expenses are expected to increase by 1% to 7% per annum (2022: 1% to 7% per annum) during the projection periods.

Based on the results of the impairment test of goodwill, in the opinion of the directors, no impairment is considered necessary for the Group's goodwill as at 31 December 2023 (2022: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 17 Other intangible assets

	Licence HK\$'000	Trademark HK\$'000	Contract rights HK\$'000	Total HK\$'000
Cost at 1 January 2023, net of accumulated amortisation	41,600	19,668	645,077	706,345
Amortisation during the year (note 6)	(2,597)	(1,143)	(32,690)	(36,430)
Exchange realignment	(578)	(273)	(8,999)	(9,850)
At 31 December 2023, net of accumulated amortisation	38,425	18,252	603,388	660,065
At 31 December 2023:				
Cost	42,881	22,697	649,386	714,964
Accumulated amortisation	(4,456)	(4,445)	(45,998)	(54,899)
Net carrying amount	38,425	18,252	603,388	660,065
	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

## NOTES TO THE FINANCIAL STATEMENTS

### 18 Investments in associates

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Share of net assets	<b>3,675,385</b>	3,969,135
Goodwill on acquisition	<b>106,881</b>	141,562
	<b>3,782,266</b>	4,110,697
Less: Impairment	<b>(79,317)</b>	(79,317)
	<b>3,702,949</b>	4,031,380

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 THE 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:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current assets	<b>2,274,830</b>	1,561,304
Non-current assets	<b>7,713,715</b>	7,898,772
Goodwill on acquisition of the associate	<b>17,570</b>	17,570
Current liabilities	<b>(4,326,310)</b>	(4,626,857)
Non-current liabilities	<b>(2,336,064)</b>	(1,820,068)
<b>Net assets</b>	<b>3,343,741</b>	3,030,721
<b>Net assets, excluding goodwill</b>	<b>3,326,171</b>	3,013,151
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	<b>25%</b>	25%
Group's share of net assets of the associate, excluding goodwill	<b>831,543</b>	753,288
Goodwill on acquisition	<b>17,570</b>	17,570
Carrying amount of the investment	<b>849,113</b>	770,858
Revenue	<b>8,359,489</b>	8,166,239
Profit/(loss) for the year	<b>358,504</b>	(422,774)
Other comprehensive income for the year	<b>(45,484)</b>	(299,545)
Total comprehensive income for the year	<b>313,020</b>	(722,319)

## NOTES TO THE 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:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current assets	<b>1,592,766</b>	1,666,911
Non-current assets	<b>2,891,593</b>	3,023,021
Goodwill on acquisition of the associate	<b>89,311</b>	90,606
Current liabilities	<b>(620,167)</b>	(726,842)
Non-current liabilities	<b>(317,990)</b>	(365,487)
<b>Net assets</b>	<b>3,635,513</b>	3,688,209
<b>Net assets, excluding goodwill</b>	<b>3,546,202</b>	3,597,603
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	<b>49%</b>	49%
Group's share of net assets of the associate, excluding goodwill	<b>1,737,639</b>	1,762,825
Goodwill on acquisition	<b>89,311</b>	90,606
Carrying amount of the investment	<b>1,826,950</b>	1,853,431
Dividend received	<b>35,044</b>	46,374
Revenue	<b>582,981</b>	713,829
Profit for the year	<b>40,515</b>	80,926
Other comprehensive income for the year	<b>(23,038)</b>	(351,482)
Total comprehensive income for the year	<b>17,477</b>	(270,556)

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Share of the associates' profits less losses for the year	<b>83,933</b>	110,555
Share of the associates' other comprehensive income	<b>(15,859)</b>	(153,933)
Share of the associates' total comprehensive income	<b>68,074</b>	(43,378)
Aggregate carrying amount of the Group's investments in the associates	<b>1,026,886</b>	1,407,091

## NOTES TO THE 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 2023:			
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
At 1 January 2023, net of accumulated amortisation and impairment	18,768,102	3,074,858	21,842,960
Additions	620,777	–	620,777
Business combinations through acquisition of subsidiaries <i>(note 34)</i>	938,472	–	938,472
Amortisation during the year <i>(note 6)</i>	(1,282,021)	(229,169)	(1,511,190)
Exchange realignment	(210,075)	(42,754)	(252,829)
At 31 December 2023, net of accumulated amortisation and impairment	18,835,255	2,802,935	21,638,190
At 31 December 2023:			
Cost	38,299,051	4,211,369	42,510,420
Accumulated amortisation and impairment	(19,463,796)	(1,408,434)	(20,872,230)
Net carrying amount	18,835,255	2,802,935	21,638,190

## NOTES TO THE FINANCIAL STATEMENTS

### 19 Service concession arrangements (continued)

#### (a) Operating concession rights (continued)

	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)
<b>Net carrying amount</b>	<b>18,158,673</b>	<b>3,628,461</b>	<b>21,787,134</b>
At 1 January 2022, net of accumulated amortisation and impairment			
Additions	18,158,673	3,628,461	21,787,134
Business combinations through acquisition of subsidiaries (note 34)	2,200,788	6,991	2,207,779
Amortisation during the year (note 6)	632,443	–	632,443
Disposal	(1,096,767)	(223,588)	(1,320,355)
Exchange realignment	(9,274)	–	(9,274)
	(1,117,761)	(337,006)	(1,454,767)
<b>At 31 December 2022, net of accumulated amortisation and impairment</b>	<b>18,768,102</b>	<b>3,074,858</b>	<b>21,842,960</b>
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)
<b>Net carrying amount</b>	<b>18,768,102</b>	<b>3,074,858</b>	<b>21,842,960</b>

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 19 Service concession arrangements (continued)

### (a) Operating concession rights (continued)

Notes: (continued)

#### (i) (continued)

At 31 December 2023 and 2022, 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 2023. 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 2023 and 2022.

At 31 December 2023 and 2022, 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 2023 and 2022 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 Liujing Town, Hengxian County in Nanning City. At the expiry of the operating right, GDH Highway is required, at its cost and expense and without compensation, to return all of the assets relating to the operating right of the Xingliu Expressway to 廣西壯族自治區交通廳.

### (b) Receivables under service concession arrangements

	2023 HK\$'000	2022 HK\$'000
Receivables under service concession arrangements	17,770,193	16,672,033
Less: Portion classified as current assets	(578,348)	(375,500)
Non-current portion	17,191,845	16,296,533

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

### (c) As at 31 December 2023, bank and other loans of HK\$12,838,341,000 (2022: HK\$10,624,528,000) were secured by the pledge of revenue entitlement under certain water distribution, sewage treatment and toll road concession arrangements (note 28).

## NOTES TO THE FINANCIAL STATEMENTS

### 19 Service concession arrangements (continued)

#### (d) Contract assets

As at 31 December 2023, contract assets which were presented as operating concession rights and receivables under service concession arrangements amounted to HK\$514,943,000 (2022: HK\$3,931,336,000) and HK\$1,465,184,000 (2022: HK\$3,987,558,000), 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 2023 in respect of these assets (2022: Nil).

### 20 Receivables under a cooperative arrangement

	2023 HK\$'000	2022 HK\$'000
Receivables under a cooperative arrangement	2,222,396	2,139,111
Less: Portion classified as current assets	(256,293)	(105,111)
Non-current portion	1,966,103	2,034,000

Balance as at 31 December 2023 mainly represented an advance of RMB1,686,081,000 (equivalent to approximately HK\$1,860,590,000) (2022: RMB1,698,152,000 (equivalent to approximately HK\$1,901,081,000)) and accrued interest of RMB272,668,000 (equivalent to approximately HK\$300,889,000) (2022: RMB169,939,000 (equivalent to approximately HK\$190,247,000)) 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 2023 and 2022, the loss allowance was assessed to be minimal.

## NOTES TO THE FINANCIAL STATEMENTS

### 21 Properties held for sale under development and completed properties held for sale

At the end of the reporting period, completed properties held for sale and properties held for sale under development of HK\$23,910,331,000 (2022: HK\$31,822,626,000), 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\$2,353,734,000 (2022: HK\$15,743,787,000) and completed properties held for sale of HK\$152,776,000 (2022: HK\$1,954,030,000) were pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (note 28).

### 22 Equity investments designated at fair value through other comprehensive income

	2023 HK\$'000	2022 HK\$'000
Non-current:		
Unlisted equity investments, at fair value	56,829	55,039

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 ended 31 December 2022.

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 (2022: Nil).

### 23 Inventories

	2023 HK\$'000	2022 HK\$'000
Raw materials	334,519	291,053
Finished goods	21,299	11,010
	355,818	302,063

## NOTES TO THE FINANCIAL STATEMENTS

### 24 Receivables, prepayments and other receivables

	Notes	2023 HK\$'000	2022 HK\$'000
Trade and bills receivables, net of impairment	(i)	3,487,921	2,722,968
Other receivables	(ii)	1,087,035	1,079,467
Prepayments and deposits		211,174	429,260
Value-added tax receivables		1,293,851	819,606
Contract assets	(iii)	739,811	591,574
Contract costs	(iv)	99,407	67,964
Due from the ultimate holding company	40(d)	61	241,735
Due from fellow subsidiaries	40(d)	187,504	244,752
Due from associates	40(d)	61,687	30,647
		<b>7,168,451</b>	6,227,973
Less: Portion classified as non-current assets		<b>(510,304)</b>	(950,298)
Current portion		<b>6,658,147</b>	5,277,675

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 businesses. The Group has a certain concentration of credit risk whereby 6% (2022: 6%) 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:

	2023 HK\$'000	2022 HK\$'000
Current or less than 3 months past due	2,280,458	2,104,472
3 months to 6 months past due	304,550	258,780
6 months to 1 year past due	591,212	105,652
More than 1 year past due	351,275	289,961
	<b>3,527,495</b>	2,758,865
Less: Loss allowance	<b>(39,574)</b>	(35,897)
	<b>3,487,921</b>	2,722,968

## NOTES TO THE FINANCIAL STATEMENTS

### 24 Receivables, prepayments and other receivables (continued)

Notes: (continued)

(i) (continued)

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

	2023 HK\$'000	2022 HK\$'000
At 1 January	35,897	54,396
Business combinations through acquisition of subsidiaries (note 34)	3,982	235
Disposal of subsidiaries	–	(4,105)
Provision/(reversal) of impairment losses, net (note 6)	3,894	(8,878)
Amount written off	(3,627)	(2,050)
Exchange realignment	(572)	(3,701)
At 31 December	39,574	35,897

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.

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 2023

	Current	Past due			Total
		Less than 1 year	1 to 2 years	Over 2 years	
Expected credit loss rate	0.36%	0.55%	5.59%	10.71%	1.12%
Gross carrying amount (HK\$'000)	1,918,771	1,257,449	230,814	120,461	3,527,495
Expected credit losses (HK\$'000)	6,896	6,874	12,908	12,896	39,574

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

(ii) The Group disposed one of its property, plant and equipment in 2023 and one of its investment properties in 2022 to third parties under relocation compensation agreements for the city renovation projects. As at 31 December 2023, included in other receivables was the contractual right amounted to HK\$243,718,000 (2022: HK\$97,468,000) of receiving the residential properties under the relocation compensation agreements.

## NOTES TO THE FINANCIAL STATEMENTS

### 24 Receivables, prepayments and other receivables (continued)

Notes: (continued)

- (iii) As at 31 December 2023, contract assets which represented the services consideration received amounted to HK\$739,811,000 (2022: HK\$591,574,000).

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 2023, contract costs which represented the sales commissions paid directly attributable to obtaining contracts amounted to HK\$99,407,000 (2022: HK\$67,964,000).

### 25 Cash and bank balances and restricted bank balances

	Notes	2023 HK\$'000	2022 HK\$'000
Cash and bank balances <sup>#</sup>	(i)	11,055,992	8,294,680
Non-pledged time deposits with:			
Original maturity of more than three months when acquired (note 37(c))		1,200,167	123,555
Original maturity of less than three months when acquired <sup>#</sup>		337,457	519,885
Cash and bank balances as stated in the consolidated statement of financial position as at 31 December (note 37(c))	(ii)	12,593,616	8,938,120
Restricted bank balances		487,884	583,074
Cash and bank balances and restricted bank balances	(iii)	13,081,500	9,521,194

Notes:

- (i) As at 31 December 2023, included in the balance represented bank deposits of RMB2,635,725,000 (equivalent to approximately HK\$2,908,522,000) (2022: RMB2,593,009,000 (equivalent to approximately HK\$2,902,874,000)) 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\$1,269,925,000 (2022: HK\$1,263,996,000) from properties held for sale under development placed at designated bank accounts under supervision pursuant to relevant regulations in the PRC, of which HK\$450,608,000 (2022: HK\$512,248,000) 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.

<sup>#</sup> At the end of the reporting period, these balances included an amount of HK\$11,031,073,000 (2022: HK\$8,135,337,000) 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 THE FINANCIAL STATEMENTS

### 26 Payables, accruals and other liabilities, and contract liabilities

#### (a) Payables, accruals and other liabilities

	Notes	2023 HK\$'000	2022 HK\$'000
Trade and bills payables	(i)	6,070,290	6,224,663
Accruals, other payables and other liabilities		9,850,034	8,481,910
Payable for the acquisition of non-controlling interests in a subsidiary	(ii)	–	290,483
Defined benefit obligations	42	81,354	122,320
Deferred revenue		324,425	346,715
Due to the immediate holding company	40(d)	13,050	34,737
Due to the ultimate holding company	40(d)	275,630	278,309
Due to fellow subsidiaries	40(d)	1,040,334	381,519
Due to associates	40(d)	65,102	30,127
		<b>17,720,219</b>	16,190,783
Less: Portion classified as non-current liabilities	29	<b>(1,344,709)</b>	(1,354,982)
Current portion		<b>16,375,510</b>	14,835,801

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:

	2023 HK\$'000	2022 HK\$'000
Within 3 months	6,053,121	6,066,868
3 months to 6 months	17,169	37,226
6 months to 1 year	–	120,569
	<b>6,070,290</b>	6,224,663

- (ii) 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. During the year ended 31 December 2023, the outstanding amount was fully settled.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 26 Payables, accruals and other liabilities, and contract liabilities

(continued)

#### (b) Contract liabilities

	Notes	2023 HK\$'000	2022 HK\$'000
Advances received from customers			
Water distribution, sewage treatment and construction services		996,167	881,389
Sale of properties		9,517,294	5,593,884
Property management service		4,041	9,012
Sale of goods		315,612	365,894
Sale of electricity		12,309	7,892
Loyalty points programme		11,282	10,678
		<b>10,856,705</b>	6,868,749
Less: Portion classified as non-current liabilities	29	<b>(38,476)</b>	(38,258)
Current portion		<b>10,818,229</b>	6,830,491

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:

	2023 HK\$'000	2022 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Water distribution, sewage treatment and construction services	758,156	894,268
Sale of properties	2,063,269	954,368
Property management service	1,925	3,851
Sale of goods and loyalty points programme	142,911	161,474
Sale of electricity	7,791	13,342
	<b>2,974,052</b>	2,027,303

## NOTES TO THE FINANCIAL STATEMENTS

### 27 Balances with non-controlling equity holders of subsidiaries

Balance as at 31 December 2023 included proceeds of HK\$732,017,000 (2022: HK\$742,631,000) 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 interest of Wanye of a capital reduction to be effected. As at 31 December 2023 and the date of approval of these financial statements, the Group and the non-controlling equity holder 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

	2023			2022		
	Effective interest rate	Maturity	HK\$'000	Effective interest rate	Maturity	HK\$'000
<b>Current</b>						
Bank loans – unsecured	1.50% – 6.02%	2024	7,709,666	0.48% – 6.65%	2023	5,838,613
Bank loans – secured	2.28% – 4.55%	2024	2,133,930	1.40% – 5.39%	2023	1,898,230
Other loans – unsecured	–	On demand	59,580	–	On demand	62,887
Other loans – unsecured	1.20% – 5.85%	2024	5,032,170	3.70% – 5.50%	2023	1,971,900
Other loans – secured	3.30% – 3.80%	2024	317,146	3.35% – 4.00%	2023	273,158
			<b>15,252,492</b>			<b>10,044,788</b>
<b>Non-current</b>						
Bank loans – unsecured	1.50% – 3.80%	2025 – 2033	1,935,484	0.64% – 4.44%	2024 – 2033	4,049,665
Bank loans – secured	2.28% – 4.55%	2025 – 2049	15,366,466	1.40% – 5.39%	2024 – 2049	15,208,131
Other loans – unsecured	1.20% – 4.75%	2025 – 2052	9,364,387	3.34% – 5.85%	2024 – 2042	10,745,799
Other loans – unsecured	–	2026 – 2033	164,058	–	–	–
Other loans – secured	3.35% – 3.80%	2025 – 2040	344,789	3.35% – 3.85%	2024 – 2040	687,205
			<b>27,175,184</b>			<b>30,690,800</b>
Total bank and other borrowings			<b>42,427,676</b>			<b>40,735,588</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 28 Bank and other borrowings (continued)

	2023 HK\$'000	2022 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year/on demand	9,843,596	7,736,843
In the second year	2,216,143	5,838,993
In the third to fifth years, inclusive	5,072,171	4,691,416
Over five years	10,013,636	8,727,387
	<b>27,145,546</b>	26,994,639
Other loans repayable:		
Within one year/on demand	5,408,896	2,307,945
In the second year	1,358,621	8,233,657
In the third to fifth years, inclusive	7,349,636	2,802,149
Over five years	1,164,977	397,198
	<b>15,282,130</b>	13,740,949
Total bank and other borrowings	<b>42,427,676</b>	40,735,588
Less: Portion classified as current liabilities	<b>(15,252,492)</b>	(10,044,788)
Non-current portion	<b>27,175,184</b>	30,690,800

Bank and other borrowings of HK\$3,760,364,000 (2022: HK\$5,497,658,000) are secured by the following pledged assets:

	2023 HK\$'000	2022 HK\$'000
Completed investment properties (Note 14)	6,583,925	3,623,912
Investment properties under development (Note 14)	–	5,031,689
Completed properties held for sale (Note 21)	152,776	1,954,030
Properties held for sale under development (Note 21)	2,353,734	15,743,787
	<b>9,090,435</b>	26,353,418

Notes:

- (a) As at 31 December 2023, all bank and other borrowings were denominated in Hong Kong dollars, except for bank and other loans of HK\$35,145,736,000 (2022: HK\$32,263,478,000) which were denominated in RMB.
- (b) As at 31 December 2023, bank loans of HK\$736,001,000 (2022: HK\$992,963,000) and HK\$827,625,000 (2022: HK\$951,575,000) were also secured by pledges of 100% and 79% equity interests of certain subsidiaries, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### 28 Bank and other borrowings (continued)

Notes: (continued)

- (c) As at 31 December 2023, bank and other loans of HK\$12,838,341,000 (2022: HK\$10,624,528,000) were secured by the pledge of revenue entitlement under certain water distribution, sewage treatment and toll road concession arrangements.
- (d) As at 31 December 2023, included in secured and unsecured other borrowings represented loans from Guangdong Holdings of HK\$1,922,297,000 (2022: HK\$4,189,169,000), loans from fellow subsidiaries of HK\$6,551,271,000 (2022: HK\$8,765,148,000) and loans from an associate of HK\$1,103,500,000 (2022: Nil) (note 40(d)).
- (e) Included in the unsecured bank and other borrowings was an aggregate amount of HK\$4,414,000,000 (2022: Nil) which was guaranteed by Guangdong Holdings. The Group signed a counter-guarantee agreement with Guangdong Holdings to provide counter-guarantee for the guarantee obligations of Guangdong Holdings to the Group.
- (f) On 30 August 2022, Commercial Mortgage Backed Securities ("CMBS") amounted to RMB330,000,000 (equivalent to approximately HK\$369,435,000) were issued in Shanghai Stock Exchange. The CMBS were secured by certain investment properties and their operating income receivables. As at 31 December 2023, the interest rates of the CMBS classified as priority A level with the remaining principal amount of RMB165,850,000 (equivalent to approximately HK\$183,015,000) (2022: RMB168,850,000 (equivalent to approximately HK\$189,028,000)) was fixed at 3.35% per annum and that of priority B level with the remaining principal amount of RMB150,000,000 (equivalent to approximately HK\$165,525,000) (2022: RMB150,000,000 (equivalent to approximately HK\$167,925,000)) 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.

### 29 Other liabilities and contract liabilities

	Notes	2023 HK\$'000	2022 HK\$'000
Deferred revenue		363,033	345,546
Deposits received		212,358	175,747
Defined benefit obligations	26(a)	81,354	122,320
Other payables and accruals		687,964	711,369
	26(a)	1,344,709	1,354,982
Contract liabilities	26(b)	38,476	38,258
		1,383,185	1,393,240

## NOTES TO THE FINANCIAL STATEMENTS

### 30 Deferred tax

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

#### Deferred tax liabilities

	2023							
	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 2023	2,201,231	272,592	643,843	1,834,574	195,643	1,014,528	414,397	6,576,808
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	(70,986)	20,013	51,423	56,410	(3,154)	150,965	261,265	465,936
Deferred tax charged to revaluation reserve	-	-	-	-	10,655*	-	-	10,655
Business combinations through acquisition of subsidiaries (note 34)	200,647	-	-	-	-	-	-	200,647
Exchange differences	(37,439)	(4,031)	(16,507)	(26,531)	(2,840)	(20,225)	2,784	(104,789)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2023	2,293,453	288,574	678,759	1,864,453	200,304	1,145,268	678,446	7,149,257

#### Deferred tax assets

	2023							
	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 2023	(3,835)	(849)	(241,857)	(3,262)	(134,315)	(610,151)	(287,563)	(1,281,832)
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	2,767	(474)	(32,035)	(3,357)	66,959	27,139	(58,088)	2,911
Business combinations through acquisition of subsidiaries (note 34)	-	-	-	-	(1,725)	-	1,340	(385)
Exchange differences	36	44	3,171	69	1,825	8,537	4,144	17,826
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December 2023	(1,032)	(1,279)	(270,721)	(6,550)	(67,256)	(574,475)	(340,167)	(1,261,480)

# NOTES TO THE FINANCIAL STATEMENTS

## 30 Deferred tax (continued)

### 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

\* These amounts represent the tax charge of HK\$10,655,000 (2022: HK\$7,987,000) arising from fair value gains of property, plant and equipment and right-of-use assets upon transfer to investment property of HK\$42,620,000 (2022: HK\$31,949,000). Net of tax amounts are disclosed in the consolidated statement of comprehensive income.

### 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 THE FINANCIAL STATEMENTS

### 30 Deferred tax (continued)

#### Deferred tax assets (continued)

The Group has unrecognised tax losses arising in Hong Kong of HK\$56,000 (2022: HK\$201,581,000) 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 and other deductible temporary differences arising in Mainland China of HK\$3,047,624,000 (2022: HK\$818,369,000). The unrecognised tax losses 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 2023, 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\$3,936,464,000 (2022: HK\$6,887,262,000).

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

### 31 Share capital

#### Shares

	2023 HK\$'000	2022 HK\$'000
<b>Issued and fully paid:</b>		
6,537,821,440 (2022: 6,537,821,440) ordinary shares	<b>8,966,177</b>	8,966,177

# NOTES TO THE FINANCIAL STATEMENTS

## 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:

	2023	2022
Percentage of equity interest held by Guangdong Teem's non-controlling equity holders	<b>23.87%</b>	23.87%
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the year allocated to Guangdong Teem's non-controlling equity holders	<b>254,664</b>	290,848
Dividends paid to Guangdong Teem's non-controlling equity holders	<b>7,625</b>	8,162
Accumulated balances of Guangdong Teem's non-controlling interests at the end of the reporting period	<b>6,951,551</b>	6,744,411

## NOTES TO THE FINANCIAL STATEMENTS

### 33 Partly-owned subsidiaries with material non-controlling interests

(continued)

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

	2023 HK\$'000	2022 HK\$'000
Revenue	2,221,314	2,167,926
Changes in fair value of investment properties	52,251	143,766
Total expenses, net	(1,368,172)	(1,264,513)
Profit for the year	905,393	1,047,179
Total comprehensive income for the year	619,044	(728,443)
Current assets	4,284,603	3,218,018
Non-current assets	20,491,015	21,362,251
Current liabilities	(1,796,355)	(1,895,637)
Non-current liabilities	(2,858,515)	(2,981,826)
Net cash flows from operating activities	605,318	5,827,984
Net cash flows used in investing activities	(1,094,096)	(1,039,008)
Net cash flows used in financing activities	(246,101)	(3,468,343)
Effect of foreign exchange rate changes, net	(4,431)	(72,078)
Net (decrease)/increase in cash and cash equivalents	(739,310)	1,248,555

### 34 Business combinations through acquisition of subsidiaries

#### (a) Year ended 31 December 2023

During the year ended 31 December 2023, the Group acquired a number of subsidiaries which are principally engaged in water distribution and provision of construction services for water resources projects in Mainland China as follows:

- (i) In January 2023, the Group acquired 51% equity interests in each of 中山市新涌口粵海水務有限公司 (Zhongshan City Xinyongkou Guangdong Water Co., Ltd.▲), 中山市南鎮粵海水務有限公司 (Zhongshan City Nanzhen Guangdong Water Co., Ltd.▲), 中山市橫欄粵海水務有限公司 (Zhongshan City Henglan Guangdong Water Co., Ltd.▲) and 清遠市龍塘粵海水務有限公司 (Qingyuan City Longtan Guangdong Water Co., Ltd.▲) from Guangdong Holdings, at an aggregated adjusted cash consideration of RMB217,676,000 (equivalent to approximately HK\$243,688,000);

## NOTES TO THE FINANCIAL STATEMENTS

### 34 Business combinations through acquisition of subsidiaries (continued)

#### (a) Year ended 31 December 2023 (continued)

- (ii) In January 2023, the Group acquired a 100% equity interest in 東莞常平粵海水務有限公司 (Dongguan Changping Guangdong Water Co., Ltd.▲) and a 99% equity interest in 東莞市常粵水務工程有限公司 (Dongguan City Changyue Water Engineering Co., Ltd.▲) from 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), at an aggregated adjusted cash consideration of RMB479,754,000 (equivalent to approximately HK\$537,085,000);
- (iii) In January 2023, the Group acquired additional 11% equity interests in each of Nansha GDH and 廣州南粵市政工程有限公司 (Guangzhou Nanyue Municipal Engineering Co., Ltd.▲) (“Nanyue Municipal”) from Guangdong Yuehai Water at an aggregated adjusted cash consideration of RMB94,464,000 (equivalent to approximately HK\$105,752,000). Before the acquisition, the Group had equity interests of 49% in each of Nansha GDH and Nanyue Municipal, which were accounted as associates of the Group. Upon the acquisition, the Group increased its equity interests in each of Nansha GDH and Nanyue Municipal to 60%, and Nansha GDH (together with its subsidiary) and Nanyue Municipal were accounted as subsidiaries of the Group;
- (iv) In January 2023, the Group acquired a 51% equity interest in 汕尾粵海水務有限公司 (Shanwei Guangdong Water Co., Ltd.▲) from an independent third party at a cash consideration of RMB41,361,000 (equivalent to approximately HK\$46,304,000) and through capital injection of RMB204,811,000 (equivalent to approximately HK\$229,285,000).

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

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 THE FINANCIAL STATEMENTS

### 34 Business combinations through acquisition of subsidiaries (continued)

#### (a) Year ended 31 December 2023 (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	<b>2,836,148</b>
Investment properties	<b>69,177</b>
Right-of-use assets	<b>447,945</b>
Operating concession rights	<b>938,472</b>
Receivables, prepayments and other receivables	<b>444,219</b>
Deferred tax assets	<b>385</b>
Inventories	<b>99,550</b>
Cash and bank balances	<b>252,108</b>
Payables, accruals and other liabilities	<b>(990,355)</b>
Bank and other borrowings	<b>(1,418,325)</b>
Contract liabilities	<b>(54,357)</b>
Tax payable	<b>(15,736)</b>
Deferred tax liabilities	<b>(200,647)</b>
<b>Total identifiable net assets at fair values</b>	<b>2,408,584</b>
<b>Non-controlling interests</b>	<b>(839,285)</b>
	<b>1,569,299</b>
<b>Goodwill on acquisitions</b>	<b>17,641</b>
	<b>1,586,940</b>
Satisfied by:	
Cash consideration	<b>1,162,114</b>
Fair value of the previously held interests	<b>424,826</b>
	<b>1,586,940</b>

As at the dates of acquisitions, the fair values of the receivables were their gross contractual amounts, of which trade receivables of HK\$3,982,000 were expected to be uncollectible.

The goodwill arising from the above acquisitions pertains to, but not limited to, the expected synergies in the Group arising from the acquisitions.

The Group incurred transaction costs of HK\$3,008,000 in connection with the acquisitions. The transaction costs have been included in administrative expenses in the consolidated statement of profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 34 Business combinations through acquisition of subsidiaries (continued)

#### (a) Year ended 31 December 2023 (continued)

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

	<i>HK\$'000</i>
Total cash consideration	<b>(1,162,114)</b>
Cash consideration paid in last year	<b>272,742</b>
Cash paid in form of capital injection	<b>145,535</b>
Cash consideration payables	<b>729,945</b>
Cash and bank balances acquired	<b>252,108</b>
Net inflow of cash and cash equivalents included in cash flows used in investing activities	<b>238,216</b>
Transaction costs for the acquisitions included in cash flows from operating activities	<b>(3,008)</b>
	<b>235,208</b>

Since the acquisitions, the above newly acquired businesses contributed revenue of HK\$1,072,769,000 and net profit of HK\$96,922,000 to the Group for the year ended 31 December 2023.

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\$24,204,929,000 and HK\$2,805,874,000, respectively.

#### (b) 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 business 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 THE FINANCIAL STATEMENTS

### 34 Business combinations through acquisition of subsidiaries (continued)

#### (b) 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 THE FINANCIAL STATEMENTS

### 34 Business combinations through acquisition of subsidiaries (continued)

#### (b) 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 ended 31 December 2022, 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.

### 35 Asset acquisitions through acquisition of subsidiaries

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 35 Asset acquisitions through acquisition of subsidiaries (continued)

Year ended 31 December 2022 (continued)

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:

	<i>HK\$'000</i>
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)
<b>Total identifiable net assets at fair value acquired</b>	<b>900,646</b>
Satisfied by:	
Cash consideration	900,646

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

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

## NOTES TO THE 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 36 Disposal of subsidiaries (continued)

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

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)
	(86,517)

## NOTES TO THE FINANCIAL STATEMENTS

### 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\$74,471,000 (2022: HK\$12,315,000) and HK\$74,471,000 (2022: HK\$12,315,000), respectively, in respect of lease arrangements for properties.
- (ii) During the year ended 31 December 2022, the Group settled an amount of HK\$118,200,000 in relation to the Loan Facility by deducting it against the water revenue receivable from the Government of the HKSAR.
- (iii) During the year ended 31 December 2022, non-controlling equity holders of the Group contributed paid-up capital of HK\$42,913,000 by way of asset injection. The amount of HK\$42,913,000 was included in operating concession right as at 31 December 2022.
- (iv) As at 31 December 2023, the Group had payables for property, plant and equipment of HK\$22,823,000 (2022: HK\$29,943,000), for investment properties of HK\$47,844,000 (2022: HK\$144,542,000) and for operating concession rights of Nil (2022: HK\$1,172,652,000) which were included in payables, accruals and other liabilities.
- (v) As at 31 December 2023, the Group had dividend payables to non-controlling equity holders of the Group of HK\$307,016,000 (2022: HK\$380,703,000), of which HK\$16,960,000 (2022: HK\$57,817,000) was included in payables, accruals and other liabilities and HK\$290,056,000 (2022: HK\$322,886,000) was included in amounts due to non-controlling equity holders of subsidiaries.
- (vi) During the year ended 31 December 2023, the Group had non-cash additions of operating concession rights of HK\$451,384,000 (2022: Nil) and other receivables of HK\$51,344,000 (2022: Nil), which were financed by an other loan of HK\$502,728,000 (2022: Nil).

## NOTES TO THE 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>
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 ( <i>note 34</i> )	–	259,717	–
Increase arising from asset acquisitions through acquisition of subsidiaries ( <i>note 35</i> )	–	353,490	8,009
Disposal of subsidiaries ( <i>note 36</i> )	–	(29,880)	–
Disposal and write-offs	–	–	(167)
Foreign exchange movement	–	(2,466,668)	(74,940)
At 31 December 2022 and at 1 January 2023	–	<b>40,735,588</b>	<b>640,906</b>
Changes from financing cash flows	<b>(4,009,646)</b>	<b>263,529</b>	<b>(88,811)</b>
Dividends	<b>4,009,646</b>	–	–
New leases	–	–	<b>74,471</b>
Lease modification	–	–	<b>(37,547)</b>
Interest expense	–	–	<b>27,628</b>
Increase arising from business combinations through acquisition of subsidiaries ( <i>note 34</i> )	–	<b>1,418,325</b>	–
Non-cash transaction ( <i>note 37(a)(vi)</i> )	–	<b>502,728</b>	–
Disposal and write-offs	–	–	<b>(1,718)</b>
Foreign exchange movement	–	<b>(492,494)</b>	<b>(9,109)</b>
At 31 December 2023	–	<b>42,427,676</b>	<b>605,820</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (c) Cash and cash equivalents

	2023 HK\$'000	2022 HK\$'000
Cash and bank balances as stated in the consolidated statement of financial position as at 31 December (note 25)	12,593,616	8,938,120
Non-pledged time deposits with original maturity of more than three months when acquired (note 25)	(1,200,167)	(123,555)
Cash and cash equivalents as stated in the consolidated statement of cash flows as at 31 December	11,393,449	8,814,565

#### (d) Total cash outflow for leases

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

	2023 HK\$'000	2022 HK\$'000
Within operating activities	13,243	14,436
Within financing activities	88,811	73,380
	102,054	87,816

### 38 Contingent liabilities

As at 31 December 2023, 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 2023, the Group's outstanding guarantees amounted to HK\$4,675,936,000 (2022: HK\$2,596,836,000) for these guarantees.

## NOTES TO THE FINANCIAL STATEMENTS

### 39 Commitments

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

	2023 HK\$'000	2022 HK\$'000
Commitments in respect of property, plant and equipment, investment properties, intangible assets and properties under development: Contracted for	12,100,485	15,276,580
Capital commitments in respect of acquisition of subsidiaries: Contracted for	–	663,892
Capital commitments in respect of capital contribution payable to associates and an unlisted equity investment: Contracted for	42,732	32,268
Commitments in respect of project financing payable to an associate: Contracted for (Note)	1,736,649	1,761,829

Note:

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 Yuehai Water, respectively. After taking into account the proportionate registered capital contribution from Guangdong Yuehai Water, 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\$2,087 million).

- (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\$5.246 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 RMB1,987,174,000 (equivalent to approximately HK\$2,192,847,000) (2022: RMB1,880,560,000 (equivalent to approximately HK\$2,105,287,000)).

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

## NOTES TO THE 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	2023 HK\$'000	2022 HK\$'000
Rental income received from Guangdong Holdings and certain subsidiaries of Guangdong Holdings*	(i)	20,631	33,321
Rental income received from GDH Limited#	(i)	12,684	12,956
Water resources related income received from fellow subsidiaries*	(ii)	36,420	90,386
Water resources related income received from an associate	(ii)	33,052	34,086
Dividends paid and payable to GDH Limited and certain subsidiaries of GDH Limited by GH Water Holdings	(iii)	38,545	134,907
Dividends paid and payable to GDH Limited and certain of its subsidiaries by the Company	(iii)	2,265,195	2,262,240
Interest expenses charged by Guangdong Holdings	(iv)	130,137	193,659
Interest expenses charged by fellow subsidiaries*	(v)	377,137	369,128
Interest expenses charged by associates*	(v)	23,449	702
Sale of electricity to fellow subsidiaries and an associate*	(vi)	133,625	187,496
Sale of electricity to an associate	(vii)	27,235	33,249
Consultancy service fee paid to fellow subsidiaries#	(viii)	96,323	59,882
Property management fee paid to fellow subsidiaries*	(ix)	219,887	160,569
Information service fee paid to fellow subsidiaries#	(x)	5,695	9,482
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)	3,634	5,159
Interest income received from a fellow subsidiary	(xiii)	50,625	22,163
Capital contribution from a non-controlling equity holder of a subsidiary	(xiv)	826,251	–
Capital reduction to a non-controlling equity holder of a subsidiary	(xv)	35,687	–

\* 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 THE 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 effective interest rates of 4.75% and 5.5% per annum (2022: 4.75% and 5.5% per annum).
- (v) The interest expenses were charged at effective interest rates between RMB benchmark 1-year loan prime rate per annum announced by the People's Bank of China minus 1.15% to RMB benchmark 5-year loan prime rate per annum announced by the People's Bank of China and 4.75% (2022: RMB benchmark 1-year loan prime rate per annum announced by the People's Bank of China plus 0.15% to 0.95% and 5.85%).
- (vi) The Group received income from the sale of electricity of HK\$133,625,000 (2022: HK\$187,496,000) to fellow subsidiaries in accordance with the terms of the agreements, which is net of tax of HK\$17,371,000 (2022: HK\$24,374,000) for the year ended 31 December 2023.
- (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.
- (xiv) Being the non-controlling equity holder of a non-wholly owned subsidiary of the Group, a fellow subsidiary invested capital amounting to RMB734,510,000 (equivalent to approximately HK\$826,251,000) to that non-wholly owned subsidiary.
- (xv) Being the non-controlling equity holder of a non-wholly owned subsidiary of the Group, a fellow subsidiary reduced capital amounting to RMB32,340,000 (equivalent to approximately HK\$35,687,000) to that non-wholly owned subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS

### 40 Related party transactions (continued)

#### (b) Other transactions with related parties

- (i) On 27 April 2023, Guangdong Teem, as the tenant, entered into a lease agreement with 廣東粵海城市投資有限公司 (Guangdong Yuehai City Investment Co., Ltd.▲) (“Guangdong Yuehai City”), a subsidiary of Guangdong Holdings, as the landlord, in relation to the lease of a shopping centre and the related facilities located at No.21 of Zhujiang West Road, Zhujiang New Town, Tianhe District, Guangzhou (the “Premises”), with a total gross floor area of approximately 30,000 sq.m. Pursuant to the lease agreement, Guangdong Teem shall use the Premises for commercial operation and the rent payable to Guangdong Yuehai City shall be calculated as 75% of the net income generated from the operation of the Premises. The lease agreement has a term of 20 years from 27 April 2023.
- (ii) On 28 April 2023, 湛江市鶴地供水營運有限公司 (Zhanjiang City Hedi Water Supply Operation Co., Ltd.▲) (“Zhanjiang Hedi Water Co”), an indirect non-wholly owned subsidiary of the Company, as raw water supplier, entered into a water supply agreement (“Hedi Water Supply Agreement”) with 湛江市粵海自來水有限公司 (Zhanjiang City GDH Water Supply Co., Ltd.▲) (“Zhanjiang GDH Water Co”), an indirect non-wholly owned subsidiary of Guangdong Holdings, as processor of raw water, pursuant to which Zhanjiang Hedi Water Co would supply raw water (also known as natural water) to the water plant operated by Zhanjiang GDH Water Co (which will then provide municipal water (after processing) to end users) within certain districts in Zhanjiang City, Guangdong Province, for a term of 30 years commencing from 1 May 2023. 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 28 April 2023.

#### (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 2023:

	Year ending 31 December 2024 HK\$'000	Year ending 31 December 2025 HK\$'000	Year ending 31 December 2026 HK\$'000
GDH Limited	8,534	2,208	499
Fellow subsidiaries	9,914	1,294	–

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 Limited	11,952	7,190	864
Fellow subsidiaries	12,757	8,005	714

## NOTES TO THE FINANCIAL STATEMENTS

### 40 Related party transactions (continued)

#### (d) Outstanding balances with related parties

	Notes	2023 HK\$'000	2022 HK\$'000
Balances due from related parties included in bank balances, receivables, prepayments and other receivables:			
Ultimate holding company	(i)	61	1,405
Ultimate holding company	(vii)	–	240,330
Fellow subsidiaries	(i)	177,569	226,179
Fellow subsidiaries	(ii)	9,935	18,573
Associates	(i)	15,386	2,981
Associates	(ii)	46,301	27,666
Deposits placed at a fellow subsidiary	(v)	2,908,522	2,902,874
Balances due to related parties included in payables, accruals and other liabilities:			
Immediate holding company	(i)	13,050	34,737
Ultimate holding company	(iii)	275,630	278,309
Fellow subsidiaries	(i)	886,386	324,465
Fellow subsidiaries	(ii)	153,948	57,054
Associates	(i)	52,133	4,083
An associate	(ii)	12,969	26,044
Loans from the ultimate holding company	(vi)	1,922,297	4,189,169
Loans from fellow subsidiaries	(iv)	6,551,271	8,765,148
Loans from an associate	(viii)	1,103,500	–

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\$1,041,000 (2022: HK\$4,788,000) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 40 Related party transactions (continued)

### (d) Outstanding balances with related parties (continued)

Notes: (continued)

- (iv) Balance included a loan of Nil (2022: HK\$268,680,000) 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 (2022: 0.2% plus the RMB benchmark 1-year loan prime rate per annum) announced by the People's Bank of China. This loan was matured and settled during the year. Loan of HK\$313,394,000 (2022: HK\$334,731,000) 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 one year. The remaining balances of HK\$6,237,877,000 (2022: HK\$8,161,737,000) represented loans from fellow subsidiaries which are unsecured and interest-bearing ranging from RMB benchmark 1-year loan prime rate minus 1.15% per annum announced by the People's bank of China to 4.75% (2022: RMB benchmark 1-year loan prime rate plus 0.15% per annum announced by the People's bank of China to 5.85%). These loans are repayable within 1 to 18 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 rate of 4.75% per annum and repayable within one year (2022: unsecured, interest-bearing at effective interest rates of 4.75% and 5.5% per annum and repayable within two years).
- (vii) Balance as at year ended 31 December 2022 represented a prepayment HK\$240,330,000 to Guangdong Holdings for subsequent acquisition of subsidiaries.
- (viii) The loans are unsecured, interest-bearing at an effective interest rate of 3% per annum and repayable in one year.

### (e) Compensation of key management personnel of the Group

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Short term employee benefits	<b>9,597</b>	10,158
Post-employment benefits	<b>1,549</b>	1,564
Total compensation paid to key management personnel	<b>11,146</b>	11,722

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

## NOTES TO THE 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:

	2023	2022
Discount rate	2.65% – 2.69%	2.88% – 3.08%
Expected rate of salary increases	10.00%	10.00%
Expected rate of future pension cost increases	10.00%	12.00%

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 %
2023				
Discount rate	0.25	(3)	0.25	3
2022				
Discount rate	0.25	(4)	0.25	4

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 42 Defined benefit obligations (continued)

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current service cost	<b>331</b>	3,434
Interest cost	<b>3,627</b>	3,937
<b>Net benefit expenses</b>	<b>3,958</b>	7,371
Recognised in administrative expenses	<b>331</b>	3,434
Recognised in finance costs (note 7)	<b>3,627</b>	3,937
	<b>3,958</b>	7,371

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

	<i>HK\$'000</i>
At 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)
<b>At 31 December 2022 and 1 January 2023</b>	<b>122,320</b>
Current service cost	<b>331</b>
Interest cost	<b>3,627</b>
Benefit paid	<b>(3,041)</b>
Actuarial gains	<b>(39,053)</b>
Exchange differences	<b>(2,830)</b>
<b>At 31 December 2023</b>	<b>81,354</b>

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 13 years (2022: 15 years).

## NOTES TO THE FINANCIAL STATEMENTS

### 42 Defined benefit obligations (continued)

The movements in the defined benefit obligations are as follows:

2023

	Pension cost charged to profit or loss					Remeasurement losses/(gains) in other comprehensive income					31 December 2023 HK\$'000
	1 January 2023 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	122,320	331	3,627	3,958	(3,041)	(2,830)	7,035	(46,088)	(39,053)	-	81,354

2022

	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

### 43 Financial instruments by category

Financial assets

2023

	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	-	2,222,396	2,222,396
Equity investments designated at fair value through other comprehensive income	56,829	-	56,829
Financial assets included in receivables under service concession arrangements	-	16,305,009	16,305,009
Financial assets included in receivables, prepayments and other receivables	-	4,198,881	4,198,881
Due from non-controlling equity holders of subsidiaries	-	901,896	901,896
Restricted bank balances	-	487,884	487,884
Cash and bank balances	-	12,593,616	12,593,616
	<b>56,829</b>	<b>36,709,682</b>	<b>36,766,511</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 43 Financial instruments by category (continued)

Financial assets (continued)

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

### Financial liabilities

	2023 HK\$'000	2022 HK\$'000
Financial liabilities included in payables, accruals and other liabilities	13,440,293	13,068,657
Due to non-controlling equity holders of subsidiaries	493,183	785,969
Bank and other borrowings	42,427,676	40,735,588
Lease liabilities	605,820	640,906
	56,966,972	55,231,120

## NOTES TO THE FINANCIAL STATEMENTS

### 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 2023 and 31 December 2022 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 2023 and 2022 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 price to sales ("P/S") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a revenue 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 revenue 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 THE 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 2023 and 2022:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Market multiples	Average P/S multiple of peers	2023: 1.58 (2022: 1.61)	The higher the multiple, the higher 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	
<b>As at 31 December 2023</b>				
Equity investments designated at fair value through other comprehensive income	–	17,140	39,689	56,829
<b>As at 31 December 2022</b>				
Equity investments designated at fair value through other comprehensive income	–	17,389	37,650	55,039

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2022: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 44 Fair value hierarchy of financial instruments (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

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

	2023 HK\$'000	2022 HK\$'000
Equity investments at fair value through other comprehensive income:		
At 1 January	37,650	11,610
Total gains recognised in other comprehensive income	2,039	–
Additions	–	37,650
Disposal of subsidiaries (note 36)	–	(11,563)
Exchange realignment	–	(47)
At 31 December	39,689	37,650

### 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\$316,175,000 for the year ended 31 December 2023. Whereas, a general decrease of 10 basis points in the interest rate would have increased the Group's profit before tax by HK\$31,618,000 for the year ended 31 December 2023.

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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### 45 Financial risk management objectives and policies (continued)

#### (ii) Foreign currency risk (continued)

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\$38,409,000 (2022: HK\$60,460,000) for the year ended 31 December 2023. 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\$38,409,000 (2022: HK\$60,460,000) for the year ended 31 December 2023.

#### (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.

31 December 2023	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	–	–	–	3,527,495	3,527,495
Receivables under a cooperative arrangement	2,222,396	–	–	–	2,222,396
Due from associates	61,687	–	–	–	61,687
Due from non-controlling equity holders of subsidiaries	901,896	–	–	–	901,896
Receivables and contract assets under service concession arrangements	18,285,136	–	–	–	18,285,136
Financial assets and contract assets included in receivables, prepayments and other receivables					
– Normal**	649,273	–	–	739,811	1,389,084
Restricted bank balances					
– Not yet past due	487,884	–	–	–	487,884
Cash and bank balances					
– Not yet past due	12,593,616	–	–	–	12,593,616
	<b>35,201,888</b>	–	–	<b>4,267,306</b>	<b>39,469,194</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 45 Financial risk management objectives and policies (continued)

#### (iii) Credit risk (continued)

31 December 2022	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
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

\* 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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### 45 Financial risk management objectives and policies (continued)

#### (iv) Liquidity risk (continued)

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 2023				
Financial liabilities included in payables, accruals and other liabilities	12,458,617	981,676	–	13,440,293
Due to non-controlling equity holders of subsidiaries	488,767	4,416	–	493,183
Bank and other borrowings	16,933,269	18,961,968	11,535,886	47,431,123
Lease liabilities	76,378	273,820	519,058	869,256
	<b>29,957,031</b>	<b>20,221,880</b>	<b>12,054,944</b>	<b>62,233,855</b>
	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
	<b>23,848,465</b>	<b>26,461,681</b>	<b>10,356,424</b>	<b>60,666,570</b>

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 2023, 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\$4,675,936,000 (2022: HK\$2,596,836,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 45 Financial risk management objectives and policies (continued)

#### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

The Group monitors capital using a net debt to adjusted capital ratio which is net debt divided by total adjusted capital, taking into account of 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.

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Due to non-controlling equity holders of subsidiaries	<b>493,183</b>	785,969
Bank and other borrowings	<b>42,427,676</b>	40,735,588
Less: Cash and bank balances	<b>(12,593,616)</b>	(8,938,120)
Net debt	<b>30,327,243</b>	32,583,437
Equity attributable to owners of the Company	<b>41,802,210</b>	43,328,642
Net debt to adjusted capital ratio	<b>73%</b>	75%

## NOTES TO THE 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:

	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	2,331	3,283
Investments in subsidiaries	16,601,716	17,394,197
Investments in associates	351,691	351,691
Total non-current assets	16,955,738	17,749,171
<b>Current assets</b>		
Amounts due from subsidiaries	7,294,449	11,458,858
Receivables, prepayments and other receivables	1,018	3,728
Cash and bank balances	586,909	408,076
Total current assets	7,882,376	11,870,662
<b>Current liabilities</b>		
Amounts due to subsidiaries	(4,115,725)	(4,912,869)
Payables, accruals and other liabilities	(129,092)	(119,660)
Tax payable	(353)	(2,237)
Bank borrowings	(6,374,252)	(4,170,000)
Total current liabilities	(10,619,422)	(9,204,766)
<b>Net current (liabilities)/assets</b>	<b>(2,737,046)</b>	2,665,896
<b>Total assets less current liabilities</b>	<b>14,218,692</b>	20,415,067
<b>Non-current liabilities</b>		
Deferred tax liabilities	(48,954)	(54,114)
Bank borrowings	-	(2,994,250)
<b>Total non-current liabilities</b>	<b>(48,954)</b>	(3,048,364)
<b>NET ASSETS</b>	<b>14,169,738</b>	17,366,703
<b>Equity</b>		
Share capital	8,966,177	8,966,177
Reserves (note)	5,203,561	8,400,526
<b>Total equity</b>	<b>14,169,738</b>	17,366,703

Bai Tao  
Director

Liang Yuanjuan  
Director

## NOTES TO THE 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 2022	1,733,711	(14,813)	6,851,192	8,570,090
Profit and 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 and 1 January 2023	<b>1,733,711</b>	<b>(14,813)</b>	<b>6,681,628</b>	<b>8,400,526</b>
Profit and total comprehensive income for the year	–	–	812,681	812,681
Final 2022 dividend paid	–	–	(2,786,420)	(2,786,420)
Interim 2023 dividend paid	–	–	(1,223,226)	(1,223,226)
At 31 December 2023	<b>1,733,711</b>	<b>(14,813)</b>	<b>3,484,663</b>	<b>5,203,561</b>

### 47 Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 25 March 2024.

## 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 Rules Governing the Listing of the Securities of the Stock Exchange of Hong Kong Limited (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) Capital Contributions to Connected Subsidiary

On 5 May 2023, (i) 廣東粵海置地集團有限公司 (Guangdong Yuehai Land Holdings Limited<sup>▲</sup>, an indirect wholly-owned subsidiary of Guangdong Land Holdings Limited ("GDL") and an indirect non-wholly owned subsidiary of the Company) ("Guangdong Yuehai Land"); (ii) 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.<sup>▲</sup>, a direct wholly-owned subsidiary of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited<sup>▲</sup>, the ultimate controlling shareholder of both the Company and GDL ("Guangdong Holdings")) ("Yuegang Investment"); and (iii) 廣州粵海置地投資有限公司 (Guangzhou Yuehai Land Investment Limited<sup>▲</sup>, being owned as to 51% by Guangdong Yuehai Land and as to 49% by Yuegang Investment) ("GDL Investment") entered into the capital increase agreement, pursuant to which the parties conditionally agreed that, among other things, the registered capital of GDL Investment would be increased by the amount of RMB1,499,000,000 (the "Capital Increase"), and Guangdong Yuehai Land and Yuegang Investment would subscribe for such additional registered capital of GDL Investment by making capital contributions in the amount of RMB764,490,000 and RMB734,510,000, respectively, which were pro rata to their then equity capital holdings in GDL Investment. Upon completion of the Capital Increase, Guangdong Yuehai Land and Yuegang Investment would continue to hold 51% and 49% of the equity interest in GDL Investment, respectively, and GDL Investment would remain a subsidiary of both GDL and the Company.

#### (b) Factoring Agreements

On 23 May 2023, each of 安國粵海環保有限公司 (Anguo Guangdong Huanbao Co., Ltd.<sup>▲</sup>) ("Anguo Guangdong Co"), 涇源粵海環保有限公司 (Laiyuan Guangdong Huanbao Co., Ltd.<sup>▲</sup>) ("Laiyuan Guangdong Co"), 灤州粵海環保有限公司 (Luanzhou Guangdong Huanbao Co., Ltd.<sup>▲</sup>) ("Luanzhou Guangdong Co") and 沙河市嘉誠環境工程有限公司 (Shahe Jiacheng Environmental Engineering Co., Ltd.<sup>▲</sup>) ("Shahe Jiacheng Co"), all being indirect subsidiaries of the Company (collectively refer to as the "Subsidiaries" and each a "Subsidiary"), entered into a factoring agreement with 粵海商業保理有限公司 (Yuehai Commercial Factoring Co., Ltd.<sup>▲</sup>, a wholly-owned subsidiary of Guangdong Holdings) ("Yuehai Factoring Co") in relation to the provision of factoring services by Yuehai Factoring Co to each of the Subsidiaries. The maximum aggregate amounts which might be drawn by each of Anguo Guangdong Co, Laiyuan Guangdong Co, Luanzhou Guangdong Co and Shahe Jiacheng Co under its respective factoring agreement were RMB36,000,000, RMB24,000,000, RMB44,000,000 and RMB83,000,000, respectively. The maximum aggregate amount which might be drawn under the factoring agreements would be RMB187,000,000. A loan might be drawn by a Subsidiary during the period between the date of the factoring agreements (i.e. 23 May 2023) and 31 December 2024. The term for each loan drawn was three years. Under the factoring arrangement, in lieu of direct repayment of any loan drawn by a Subsidiary, such Subsidiary would transfer to Yuehai Factoring Co its relevant accounts receivable in an amount corresponding to that loan. Each loan would be a term loan, and not a revolving loan.

# TRANSACTIONS DISCLOSED IN ACCORDANCE WITH THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

## B. Continuing Connected Transactions

### (a) Tenancy Agreement

On 31 March 2020, 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 landlord, and 廣東粵海融資租賃有限公司 (GDH Financial Leasing Co., Ltd, a wholly-owned subsidiary of GDH Limited (“GDH”)) (“GDH Leasing”), as tenant, entered into a tenancy agreement in relation to the leasing of the premises at Unit 06 on the 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 agreement, GDH Leasing was 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., an indirect non-wholly owned subsidiary of Guangdong Holdings) (“Teem Management Co.”), 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 GDH Leasing in connection with its occupation of the said premises.

During the year ended 31 December 2023, the total amounts received in accordance with the terms of the above tenancy agreement amounted to approximately RMB174,000. The annual cap for the above tenancy agreement was RMB11,000,000 per the Company’s announcement dated 30 September 2020.

### (b) Electricity Service Framework Agreement

On 28 October 2022, 中山粵海能源服務有限公司 (Zhongshan GDH Energy Service Co., Ltd.▲, an indirect non-wholly owned subsidiary of the Company) (“GDH Energy Service”) 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”) entered into an agreement (the “Electricity Service Framework Agreement”) in relation to the supply of electricity 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 People’s Republic of China (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, 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.

During the year ended 31 December 2023, the total amount received in accordance with the terms of the Electricity Service Framework Agreement amounted to approximately RMB156,799,500. The annual cap of the Electricity Service Framework Agreement for the year ended 31 December 2023 was RMB330,000,000 per the Company’s announcement dated 28 October 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) Financial Services Framework Agreement

On 1 September 2021, the Company entered into an agreement (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 粵海集團財務有限公司 (GDH Finance Co., Ltd, a wholly-owned subsidiary of Guangdong Holdings) (“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 was 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 would 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 were, in the ordinary and usual course of business, after arm’s length negotiation, on normal commercial terms or better and on terms which were no less favourable than those offered by independent third parties to the Group. Pursuant to the Financial Services Framework Agreement, no service fee would be charged by GDH Finance for settlement services. During the year ended 31 December 2023, GDH Finance entered into specific agreements for the provision of financial services to members of the Group, including Guangdong Water Holdings Limited, GDH Teem, GDL and their respective subsidiaries.

During the year ended 31 December 2023, 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 RMB479,000 during the year ended 31 December 2023. The annual cap of the services fee under the Financial Services Framework Agreement for the year ended 31 December 2023 was RMB25,000,000 per the Company’s announcement dated 1 September 2021.

### (d) Property Management Agreements

- (i) 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, 廣東粵海天河城商業有限公司 (GDH Teem Commercial Co., Ltd.)<sup>▲</sup>, an indirect non-wholly owned subsidiary of the Company) (“GDTC”) 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 GDTC to Teem Management Co. on a monthly basis and was calculated at the agreed monthly rates on a pro rata basis; and

On 1 September 2020, GDTC 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 44 warehouse units in Teemall for three years commencing on 11 September 2020. The service fees for the abovementioned services was paid by GDTC to Teem Management Co. on a monthly basis and was calculated at the agreed monthly rates on a pro rata basis.

# 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) Property Management Agreements *(continued)*

#### (i) *(continued)*

During the year ended 31 December 2023, the total amount paid in accordance with the terms of the above property management services agreements amounted to approximately RMB18,523,000. The annual cap of the above property management agreements was RMB19,900,000 per the Company's announcement dated 1 September 2020.

- (ii) On 22 October 2020, 惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.<sup>▲</sup>, an indirect non-wholly owned subsidiary of the Company) ("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.

During the year ended 31 December 2023, the total amount paid in accordance with the terms of the Huiyang Lijiang Garden Commercial Property Rental Services Agreement amounted to approximately RMB25,000. For details of the Huiyang Lijiang Garden Commercial Property Rental Services Agreement, please refer to the joint announcement published by the Company and GDL on 29 October 2020.

- (iii) On 26 March 2021, 粵海科技(深圳)有限公司 (Yuehai Technology (Shenzhen) Co., Ltd.<sup>▲</sup>, an indirect non-wholly owned subsidiary of the Company) ("Yuehai Technology") entered into an agreement (the "Second Buji Factory Property Services Agreement") with 深圳市粵海悦生活物業管理有限公司 (Shenzhen Yuehai Yueshenghuo Property Management Co., Ltd.<sup>▲</sup>, an indirect non-wholly owned subsidiary of Guangdong Holdings) ("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.

During the year ended 31 December 2023, the total amount paid in accordance with the terms of the Second Buji Factory Property Services Agreement amounted to approximately RMB168,000. The annual cap of the Second Buji Factory Property Services Agreement for the period from 1 January 2023 to 31 March 2023 was RMB210,000 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)*

### (d) Property Management Agreements *(continued)*

- (iv) On 26 March 2021, 江門市粵海置地房地產投資有限公司 (Jiangmen Yuehai Land Real Estate Investment Co., Ltd.▲, an indirect non-wholly owned subsidiary of the Company) (“GDL Jiangmen”) entered into an agreement (the “Yiguifu Preliminary Property Services Agreement”) with 粵海物業管理有限公司 (Yuehai Property Management Co., Ltd., a direct wholly-owned subsidiary of Guangdong Holdings) (“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.

During the year ended 31 December 2023, the total amount paid in accordance with the terms of the Yiguifu Preliminary Property Services Agreement amounted to approximately RMB1,473,000. The annual cap of the Yiguifu Preliminary Property Services Agreement for the year ended 31 December 2023 was RMB2,300,000 per the Company’s announcement dated 26 March 2021.

- (v) On 26 March 2021, 江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd.▲, an indirect non-wholly owned subsidiary of the Company) (“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 property management services such as 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.

During the year ended 31 December 2023, the total amount paid in accordance with the terms of the Yuehai Laurel House Preliminary Property Services Agreement amounted to approximately RMB1,409,000. The annual cap of the Yuehai Laurel House Preliminary Property Services Agreement for the year ended 31 December 2023 was RMB2,000,000 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)*

### (d) Property Management Agreements *(continued)*

#### (vi) The Previous Property Management Services Framework Agreement

On 10 May 2021, the Company and Yuehai Property Management entered into an agreement (the “Previous Property Management Services Framework Agreement”) in relation to property management services provided by Yuehai Property Management and its subsidiaries (the “Yuehai Property Management Group”). Pursuant to the Previous 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. Since the commencement of the Previous Property Management Services Framework Agreement, Yuehai Property Management entered into certain specific agreements with subsidiaries of the Company for the provision of property management services, which set out the detailed terms for the relevant transactions contemplated under the Previous Property Management Services Framework Agreement.

On 30 January 2024, the Company and Yuehai Property Management entered into a new agreement (the “New Property Management Services Framework Agreement”) in relation to the provision of the Property Management Services by the Yuehai Property Management Group to the Group for the period from 30 January 2024 to 31 December 2026 (both days inclusive). Upon the effective date of the New Property Management Services Framework Agreement (i.e. on 30 January 2024), the Previous Property Management Services Framework Agreement was terminated and the New Property Management Services Framework Agreement replaced and superseded the Previous Property Management Services Framework Agreement.

During the year ended 31 December 2023, the total amount paid in accordance with the terms of the Previous Property Management Services Framework Agreement amounted to approximately RMB184,675,000. The annual cap of the Previous Property Management Services Framework Agreement for the year ended 31 December 2023 was RMB130,000,000 per the Company’s announcement dated 10 May 2021; the said annual cap was revised to RMB280,000,000 per the Company’s announcement dated 8 November 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) Solar Power Plants Framework Agreement

On 18 May 2022, Guangdong Water Holdings Limited (“Water Holdings”, a wholly-owned subsidiary of the Company) 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 (the “Solar Power Plants Framework 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”) would 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 would provide Feilaixia with daily maintenance services for those solar power plants in return for maintenance fees (“Maintenance Fees”); and
- (iii) Feilaixia would 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”).

Subject to the relevant specific agreements, the Resource Usage Fees and the Maintenance Fees would be settled on quarterly, half-yearly or yearly basis (where applicable), and the Electricity Consumption Fees would be settled on monthly, quarterly, half-yearly or yearly basis (where applicable). Since the commencement of the Solar Power Plants Framework Agreement, 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 2023, 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 RMB796,000; the total amount of Electricity Consumption Fees paid in accordance with the terms of the Solar Power Plants Framework Agreement amounted to approximately RMB4,819,000. The annual cap of the Resource Usage Fees and Maintenance Fees for the year ended 31 December 2023 was RMB3,000,000, and the annual cap of the Electricity Consumption Fees was RMB45,000,000 per the Company’s announcement dated 18 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)*

### (f) Support Services Framework Agreement

On 29 June 2022, Water Holdings and GH Water Supply (Holdings) Limited (“GH Water Holdings”, a direct non-wholly owned subsidiary of the Company) entered into an agreement (the “Support Services Framework Agreement”) with 廣東粵海水務科技有限公司 (Guangdong Water Technology Co., Ltd.▲, an indirect wholly-owned subsidiary of Guangdong Holdings) (“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 Holdings and their respective subsidiaries (“the GDI Water Group”). 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. The fees for the Support Services would 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. Since the commencement of the Support Services Framework Agreement, 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 2023, the total amount paid in accordance with the terms of the Support Services Framework Agreement amounted to approximately RMB133,232,000. The annual cap of the services fee under the Support Services Framework Agreement for the year ended 31 December 2023 was RMB450,000,000 per the Company’s announcement dated 29 June 2022.

### (g) Construction Services Framework Agreement

On 12 July 2022, Guangdong Yuehai Water and Water Holdings entered into an agreement (the “Construction Services Framework 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”). 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.

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. Since the commencement of the Construction Services Framework Agreement, members of the Water Holdings 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 GDH Water Co 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 were 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.

# 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) Construction Services Framework Agreement (continued)

During the year ended 31 December 2023, the total amount paid in accordance with the terms of the Construction Services Framework Agreement amounted to approximately RMB44,072,000. The annual cap of the services fee under the Construction Services Framework Agreement for the year ended 31 December 2023 was RMB1,182,500,000 per the Company's announcement dated 12 July 2022.

### (h) Water Project Design and Survey Services Framework Agreement

On 1 September 2022, Water Holdings, Guangdong Yue Gang Water Supply Company Limited (廣東粵港供水有限公司, an indirect non-wholly owned subsidiary of the Company) ("WaterCo") and 廣東省水利電力勘测設計研究院有限公司 (Water Conservancy Electric Power Survey and Design Institute Company Limited\*, a direct wholly-owned subsidiary of Guangdong Holdings) ("Water Conservancy Design Institute") entered into an agreement ("the Design & Survey Services Framework Agreement") in relation to the provision of certain water project design and survey services by Water Conservancy Design Institute and its subsidiaries (the "Water Conservancy Design Institute Group") to Water Holdings, WaterCo and their respective subsidiaries (the "GDI Water Supply Group"). Pursuant to the Design & Survey Services Framework Agreement, the Water Conservancy Design Institute Group would provide certain design and surveying services to the GDI Water Supply Group for the period from 1 September 2022 to 28 June 2025.

Subject to the relevant specific agreements, the service fees shall be paid by the GDI 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. Since the commencement of the Design & Survey Services Framework Agreement, 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 GDI Water Supply Group.

During the year ended 31 December 2023, the total amount payable in accordance with the terms of the Design & Survey Services Framework Agreement amounted to approximately RMB28,805,000. The annual cap of the services fee under the Design & Survey Services Framework Agreement for the year ended 31 December 2023 was RMB100,000,000 per the Company's announcement dated 1 September 2022.

### (i) Zhanjiang Water Supply Agreement

On 28 April 2023, 湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd.▲, an indirect non-wholly owned subsidiary of the Company) ("Zhanjiang Hedi Water Co"), as raw water supplier, and 湛江市粵海自來水有限公司 (Zhanjiang City GDH Water Supply Co., Ltd.▲, an indirect non-wholly owned subsidiary of Guangdong Holdings) ("Zhanjiang GDH Water Co"), as processor of raw water, entered into the Zhanjiang water supply agreement (the "Zhanjiang Water Supply Agreement), pursuant to which Zhanjiang Hedi Water Co would supply raw water to the water factories operated by Zhanjiang GDH Water Co, which would then provide municipal water to the end users in the Xiashan District (霞山區), Chikan District (赤坎區) and Mazhang District (麻章區) of the Zhanjiang City for a term of 30 years commencing from the date on which the water diversion project commences commercial operation (i.e. 1 May 2023). The raw water fee would be calculated and payable on a monthly basis.

During the year ended 31 December 2023, the total amount paid in accordance with the terms of the Zhanjiang Water Supply Agreement amounted to approximately RMB20,220,000. The annual cap of the transactions under the Zhanjiang Water Supply Agreement for the period from 1 May 2023 to 31 December 2023 was RMB99,280,000 per the Company's announcement dated 28 April 2023.

## 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)*

#### (j) Yuehai Water Procurement Framework Agreement

On 10 November 2023, the Company and Guangdong Yuehai Water entered into a procurement framework agreement (the “Yuehai Water Procurement Framework Agreement”), pursuant to which the Group might from time to time purchase (including purchases through online platforms owned or operated by Guangdong Yuehai Water, Guangdong Holdings and their respective associate(s) (but excluding the members of the Group), as well as the connected subsidiary(ies) of the Company (collectively, the “Guangdong Holdings Group”)) various types of products (including but not limited to water purification products, office supplies, daily necessities, electrical appliances and furniture, food and beverages, and digital products) from the Guangdong Holdings Group for a term of three years commencing on 10 November 2023 to 9 November 2026.

During the period from 10 November 2023 to 31 December 2023, the total amount paid in accordance with the terms of the Yuehai Water Procurement Framework Agreement amounted to approximately RMB4,244,000. The annual cap of the transactions under the Yuehai Water Procurement Framework Agreement for the period from 10 November 2023 to 31 December 2023 was RMB10,000,000, per the Company’s announcement dated 10 November 2023.

#### (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 was 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 was likely to invest a maximum of approximately RMB2,528,656,700 in relation to the Yangtze River Water Diversion Project, inter alia, the Company would 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 would inject the registered capital in the proportion of their equity interests at the same time whilst the Company and Guangdong Yuehai Water would 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 would 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 would be responsible for its proportionate registered capital as well as assuming the responsibility for the project financing and/or joint guarantees, the Company was likely to invest a maximum of RMB1,891,139,837.

During the year ended 31 December 2023, 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.

## 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)*

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

### Details of Property, Plant and Equipment

Property	Lot No.	Use
Wharney Hotel 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 18 Prat Avenue Tsimshatsui Kowloon Hong Kong	Kowloon Inland Lot Nos. 8340, 8342, 8550, 8748 and 8915	Hotel
Sheraton Guangzhou Hotel No. 208 Tianhe Road Tianhe District Guangzhou Guangdong Province PRC	N/A	Hotel
Guangdong Hotel (Shen Zhen) Shennan East Road Luohu District Shenzhen Guangdong Province PRC	N/A	Hotel
Guangdong Hotel (Zhu Hai) No. 1145 Yuehai Road East Gongbei, Zhuhai Guangdong Province PRC	N/A	Hotel
Holiday Inn Zhuhai City Center No. 39 Bailian Road Jida Xiangzhou District Zhuhai City Guangdong Province PRC	N/A	Hotel
GDH Energy Project Lands and various buildings and structures of Huang Pu Town Zhongshan City Guangdong Province PRC	N/A	Factory

## MAJOR PROPERTIES HELD BY THE GROUP

Property	Lot No.	Use
Nansha Water Distribution Facilities by the Southwest side of the interchange between Huanglan Expressway and Jingzhu Expressway, Huangge Town, Nansha District, Guangzhou City, Guangdong Province, PRC and No. 3 Gangang Road, Lanhe Town, Nansha District, Guangzhou City, Guangdong Province, PRC	N/A	Water distribution facilities
Qingxi Water Distribution Facilities by the side of Shangyuan Road Sanken Reservoir, by the side of Donghuan Road Qiyeshi Reservoir and No. 28 Qingxi Avenue Qingxi Town Dongguan Guangdong Province PRC	N/A	Water distribution facilities

## Details of Operating Concession Rights

Intangible Assets	Existing use
Water Supply Project's (from Dongguan to Shenzhen) land use rights, reservoirs and related buildings	Water Distribution
Toll Road Project's operating rights and related buildings	Toll Road

## Details of Investment Properties

Property	Interest in property attributable to the Group	Category of lease	Existing use
Teem Tower and Teemmall No. 208 Tianhe Road Tianhe District, Guangzhou Guangdong Province PRC	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, Unit B on 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

## MAJOR PROPERTIES HELD BY THE GROUP

Property	Interest in property attributable to the Group	Category of lease	Existing use
Tianjin Teem Shopping Mall No. 263 Heping Road Heping District Tianjin, PRC	76.02%	Medium term	Shopping mall
Panyu Teem Shopping Mall, No. 81 Wanhui 2 Road, No. 180 Wanbo 2 Road, Nancun Town, Panyu District, Guangzhou, Guangdong Province, PRC	31.06%	Medium term	Shopping mall
Guangzhou Comic City, The underground of No.1 Jixiang Road, Yuxiu District, Guangzhou City, Guangzhou Province, PRC	64.71%	Medium term	Shopping mall
Commercial portion of Northwestern Land, Northern Land and Southern Land of the Shenzhen GDH City, 3008 Taibai Road, Luohu District, Shenzhen City, Guangdong, PRC	73.82%	Medium term	Commercial

## Details of 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
Zhuhai Laurel House West of Jinhui Road and North of Jinhe East Road, Jinwan District, Zhuhai City, Guangdong, PRC	73.82%	66,090	166,692	Residential/ Commercial
Foshan Laurel House West of Wenhua Road, South of Liming Second Road, Chancheng District, Foshan City, Guangdong, PRC	73.82%	43,284	151,493	Residential
Zhongshan GDH City Tsuihang New District, Zhongshan City, Guangdong, PRC	72.08%	98,811	247,028	Residential

## MAJOR PROPERTIES HELD BY THE GROUP

Property	Interest in property attributable to the Group	Site area (sq. m.)	Gross floor area (sq. m.)	Existing use
Jiangmen GDH City (Land No. 4 and 5) East of Ganbei Road, Pengjiang District, Jiangmen City, Guangdong, PRC	37.65%	133,764	270,569	Residential/ Business apartment/ Commercial
Huizhou One Mansion Mamiao, Aotou, Dayawan District, Huizhou City, Guangdong, PRC	73.82%	30,698	92,094	Residential/ Business apartment/ Commercial
Guangzhou GDH Future City Core Area of Baiyun New Town, Baiyun District, Guangzhou City, Guangdong, PRC	73.82%	114,463	506,000	Residential/ Business apartment/ Commercial/ Offices
Foshan One Mansion West Side of Fenjiang Road, North Side of Lujing Road and East Side Luying West Street, Chancheng District, Foshan City, Guangdong, PRC	37.65%	40,642	118,122	Residential/ Commercial/ Offices

## 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, PRC	73.82%	275,209*	Business apartment/ Commercial/ Offices
Jiangmen One Mansion West of Fengxiang Road, Southeast of the intersection of Chenyuan Road and Longteng Road, Pengjiang District, Jiangmen City, Guangdong, PRC	73.82%	164,216	Residential/ Business apartment/ Commercial
Jiangmen GDH City (Land No. 3) East of Ganbei Road, Pengjiang District, Jiangmen City, Guangdong, PRC	37.65%	122,331	Residential

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



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