



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

Stock Code : 00270



2021 ANNUAL  
REPORT

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# CORPORATE INFORMATION

as at 30 March 2022

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-Executive Directors

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

### Independent Non-Executive Directors

Dr. CHAN Cho Chak, John, *GBS, JP*  
Mr. FUNG Daniel Richard, *SBS, QC, SC, JP*  
Dr. the Honourable CHENG Mo Chi, Moses, *GBM, GBS, OBE, JP*  
Mr. WU Ting Yuk, Anthony,  
*Standing Committee Member of CPPCC National Committee, GBS, JP*  
Mr. LI Man Bun, Brian David, *JP, MA (Cantab), MBA, FCA*

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Ms. YANG Na (*General Counsel*)

## AUDITOR

Ernst & Young  
Certified Public Accountants  
Registered Public Interest Entity Auditor

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
China CITIC Bank, Guangzhou Branch  
China Merchants Bank  
Chong Hing Bank  
DBS Bank Ltd., Hong Kong Branch  
Hang Seng Bank  
Industrial and Commercial Bank of China (Asia) Limited  
Industrial and Commercial Bank of China,  
Shenzhen Branch  
Standard Chartered Bank

## REGISTERED OFFICE

28th and 29th Floors  
Guangdong Investment Tower  
148 Connaught Road Central  
Hong Kong  
Telephone : (852) 2860 4368  
Facsimile : (852) 2528 4386  
Email : [ir@gdi.com.hk](mailto:ir@gdi.com.hk)  
Website : <http://www.gdi.com.hk>

## SHARE REGISTRAR

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

## SHARE INFORMATION

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

## SHAREHOLDERS' CALENDAR

Annual General Meeting : 23 June 2022 2:30 p.m.  
Final Dividend : HK 42.54 cents per ordinary share,  
payable on or about  
28 July 2022

### Last Share Registration Date

For attending Annual General Meeting : 17 June 2022,  
by 4:30 p.m.  
For entitlement for Final Dividend : 28 June 2022,  
by 4:30 p.m.

### Closure of Register of Members

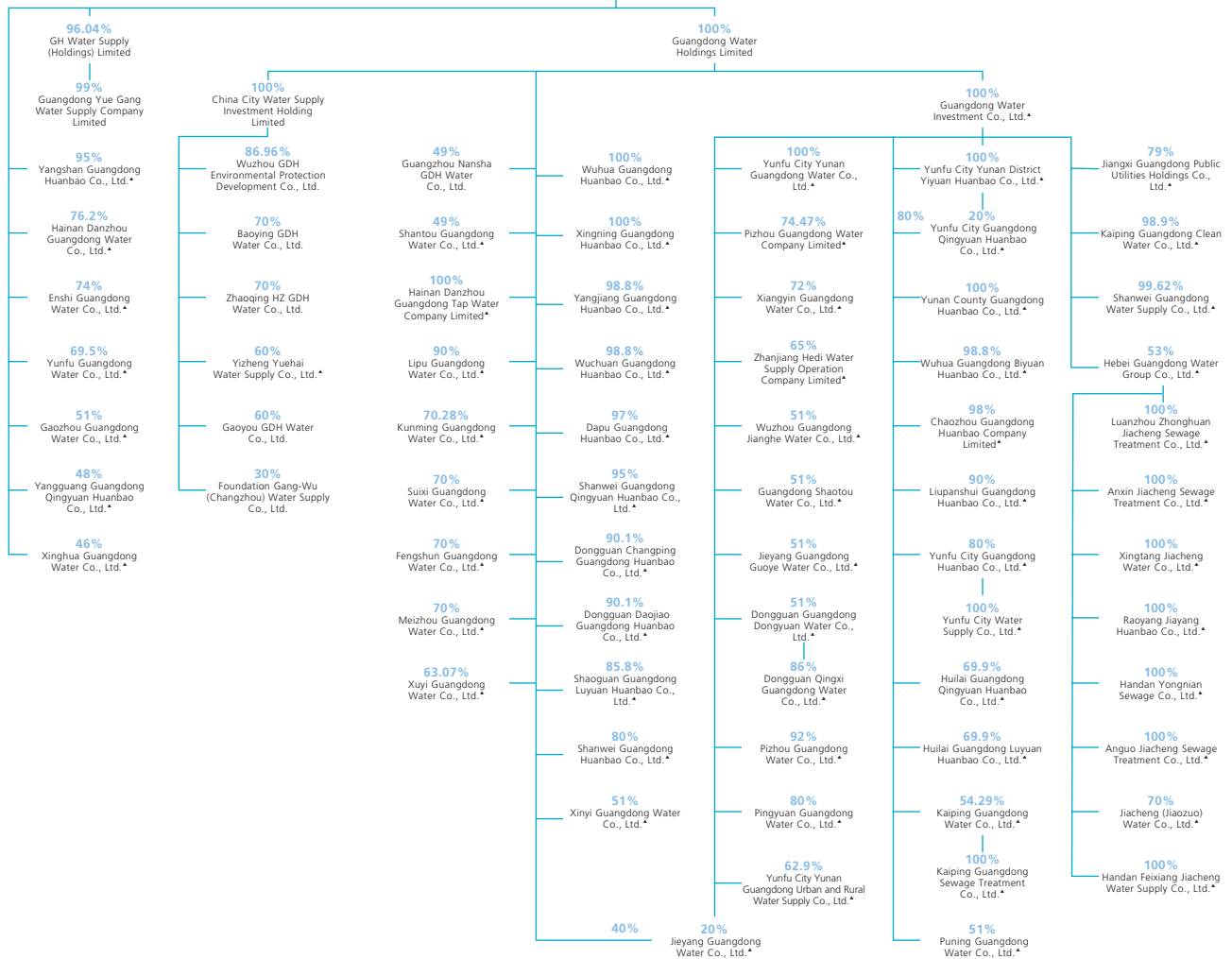
Final Dividend : 29 June 2022



# THE GROUP'S PRINCIPAL BUSINESSES

30 March 2022

## Water Resources







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

Property Investment and Development



**73.82%**  
Guangdong Land Holdings Limited

**100%**  
Global Head Developments Limited  
(Guangdong Investment Tower properties)

**100%**  
Guangdong Properties Holdings Limited  
(Guangdong Group Building properties)

**76.13%**  
GDH Teem (Holdings) Limited\*  
(Teem Plaza)

**60%**  
Guangzhou Yuehai Tianhecheng Investment Co., Ltd.\*

**68%**  
Guangzhou City Wanye Investment Management Company Limited\*  
(Panyu GDH Plaza)

**76.02%**  
Tianjin Yuehai Teem Shopping Center Co., Ltd.  
(Tianjin Teem Shopping Mall)

Department Store Operation



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

Hotel Ownership, Operation and Management



**76.13%**  
Sheraton Guangzhou Hotel

**100%**  
Guangdong (International) Hotel Management Holdings Limited

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

**100%**  
Guangdong Hotel Limited  
(Oasis Avenue-A GDH Hotel (Hong Kong))

**100%**  
Guangdong Hotel (Zhu Hai)\*

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

Energy Projects, Road and Bridge



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

**100%**  
Dongguan Yuehai Yingping Development and Construction Limited\*

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

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

Notes:

- (i) Projects of the Group are shown in italics and do not constitute part of the individual company's or joint venture's name.
- (ii) The English name of the entity marked with a "\*" is a translation of its Chinese name, and is included herein and in other sections of this Annual Report for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.



# FINANCIAL HIGHLIGHTS

## FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER

	2021 HK\$'000	2020 HK\$'000	Changes %
Revenue	<b>29,715,492</b>	23,173,322	28.2
Profit for the year attributable to owners of the Company	<b>4,696,962</b>	4,509,944	4.1
Earnings per share – Basic	<b>HK 71.84 cents</b>	HK 68.98 cents	4.1
Dividends per share			
Interim	<b>HK 18.17 cents</b>	HK 17.64 cents	
Proposed final	<b>HK 42.54 cents</b>	HK 41.30 cents	
	<b>HK 60.71 cents</b>	HK 58.94 cents	3.0
EBITDA	<b>10,902,674</b>	9,855,200	10.6
Owners' equity	<b>46,210,698</b>	44,227,798	4.5
Total assets	<b>130,030,823</b>	89,600,542	45.1
Net financial borrowings <sup>7</sup>	<b>19,264,453</b>	1,070,761	1,699.1

## KEY RATIOS

	2021	2020
Gearing <sup>1</sup>	<b>48.86%</b>	6.55%
Interest cover <sup>2</sup>	<b>12.82X</b>	28.92X
Liquidity <sup>3</sup>	<b>1.37X</b>	1.38X
Return on average shareholders' funds <sup>4</sup>	<b>10.39%</b>	10.56%
Post-tax return on average assets <sup>5</sup>	<b>5.00%</b>	6.79%
Dividend payout ratio <sup>6</sup>	<b>84.51%</b>	85.45%

## SHARE INFORMATION (AS AT 31 DECEMBER)

	2021	2020
Number of ordinary shares in issue	<b>6,538m</b>	6,538m
Market capitalisation	<b>HK\$64,594m</b>	HK\$91,268m
Closing market price per share	<b>HK\$9.88</b>	HK\$13.96
Basic and diluted earnings per share	<b>HK 71.84 cents</b>	HK 68.98 cents
Net asset value per share	<b>HK\$7.07</b>	HK\$6.76



# 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 cash equivalents |
| 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)

	2021 HK\$'000	2020 HK\$'000
<b>Loan maturity profile</b>		
Within 1 year	7,046,689	5,808,506
In the 2nd year	4,520,685	397,763
In the 3rd to 5th year	10,134,125	2,819,933
Over 5 years	7,158,054	2,412,043
	<b>28,859,553</b>	<b>11,438,245</b>
<b>Currency</b>	%	%
Hong Kong dollars	25.5	42.6
Renminbi	74.5	57.4
<b>Interest rate</b>	%	%
Floating	99.0	97.1
Fixed	0.5	0.5
Non-interest bearing borrowing	0.5	2.4

## SOURCE OF FINANCING (AS AT 31 DECEMBER 2021)

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

# FINANCIAL HIGHLIGHTS

## ANALYSIS OF THE GROUP'S BUSINESSES

Year ended 31 December 2021

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

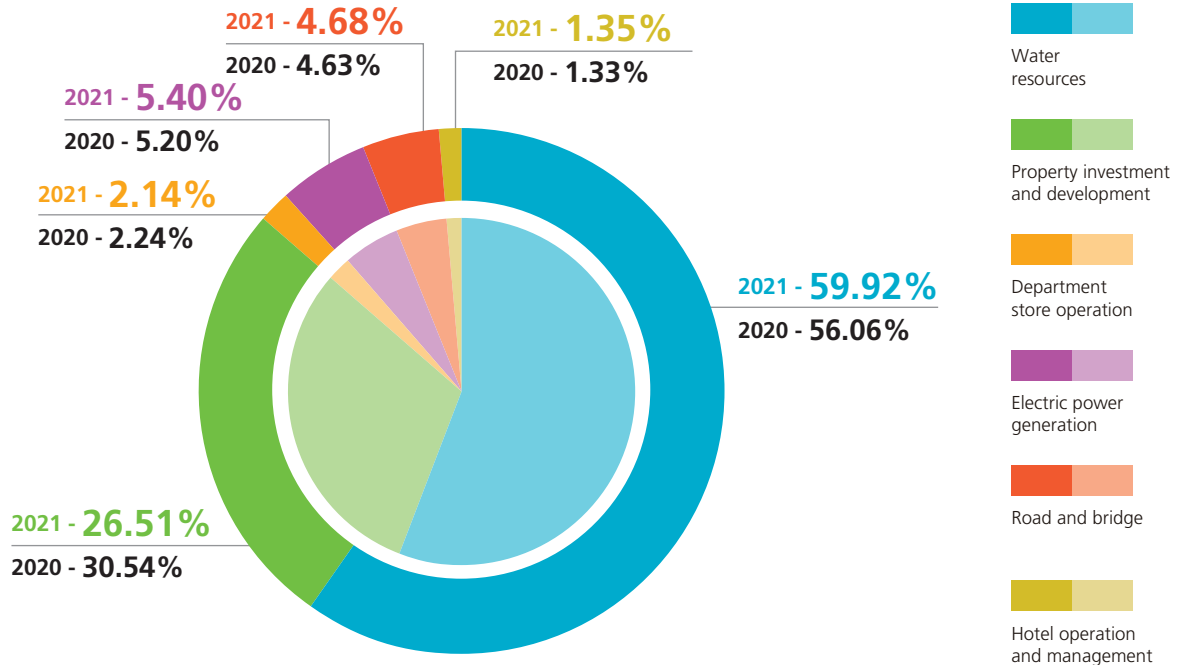
Year ended 31 December 2020

	Revenue		Segment results	
	HK\$'000	%	HK\$'000	%
By Activity:				
Water resources	12,990,887	56.06	4,271,303	54.48
Property investment and development	7,077,895	30.54	2,956,813	37.72
Department store operation	519,900	2.24	106,734	1.36
Electric power generation	1,204,982	5.20	188,527	2.40
Hotel operation and management	307,745	1.33	(122,118)	–
Road and bridge	1,071,913	4.63	316,478	4.04
Others and eliminations	–	–	90,960	–
	<b>23,173,322</b>	<b>100.00</b>	<b>7,808,697</b>	<b>100.00</b>
By Geographical Area:				
Mainland China	23,049,412	99.47		
Hong Kong	123,910	0.53		
	<b>23,173,322</b>	<b>100.00</b>		

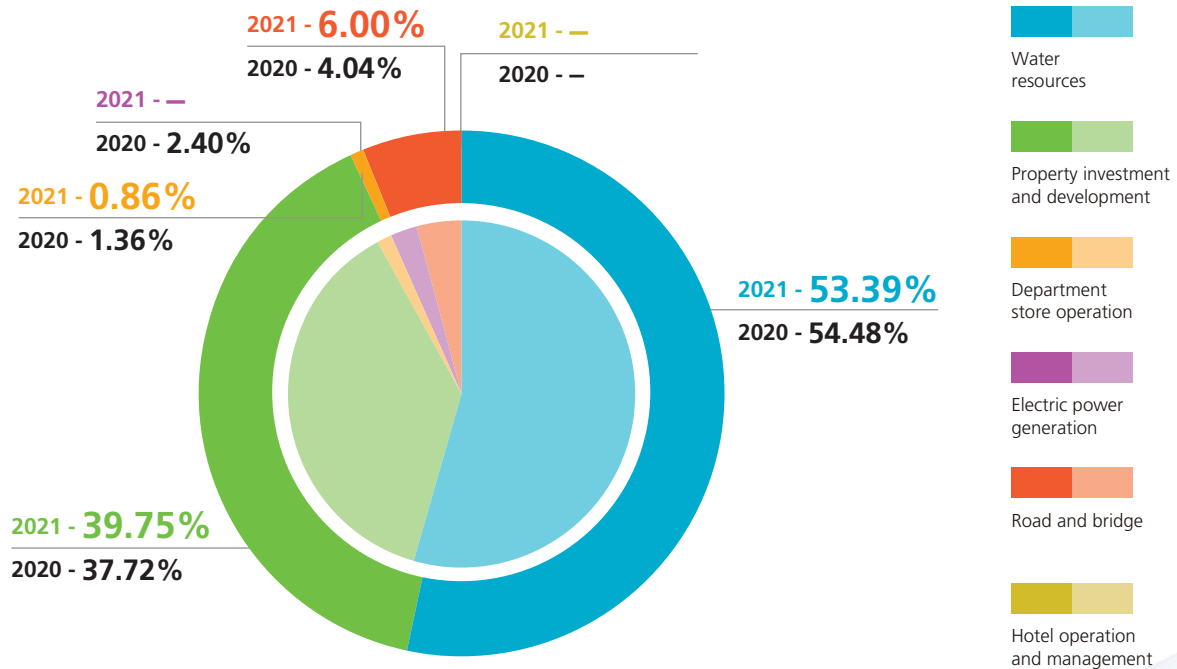


# FINANCIAL HIGHLIGHTS

## Revenue by Operating Segments

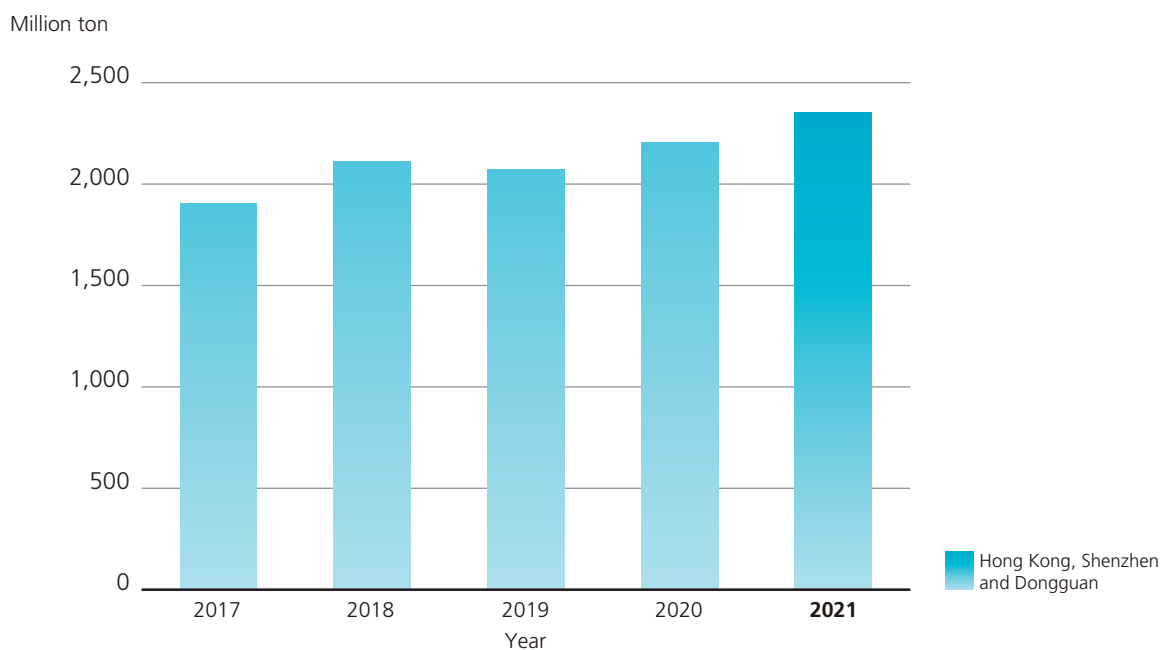


## Segment Results by Operating Segments

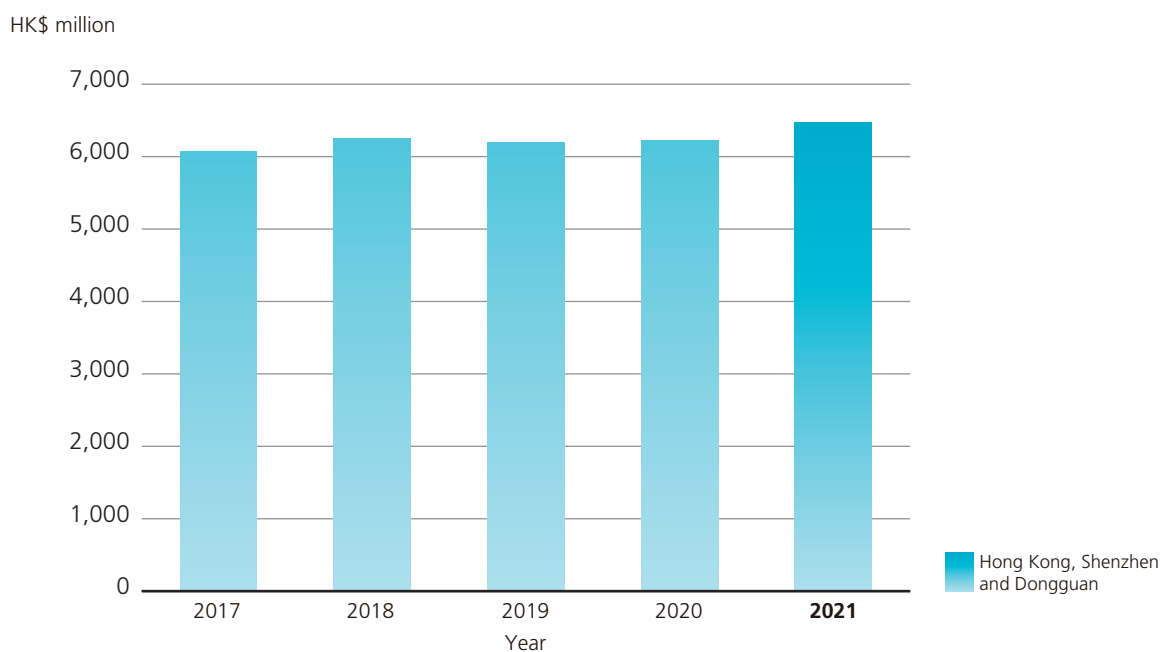


# FINANCIAL HIGHLIGHTS

## Water Distribution – Annual Volume



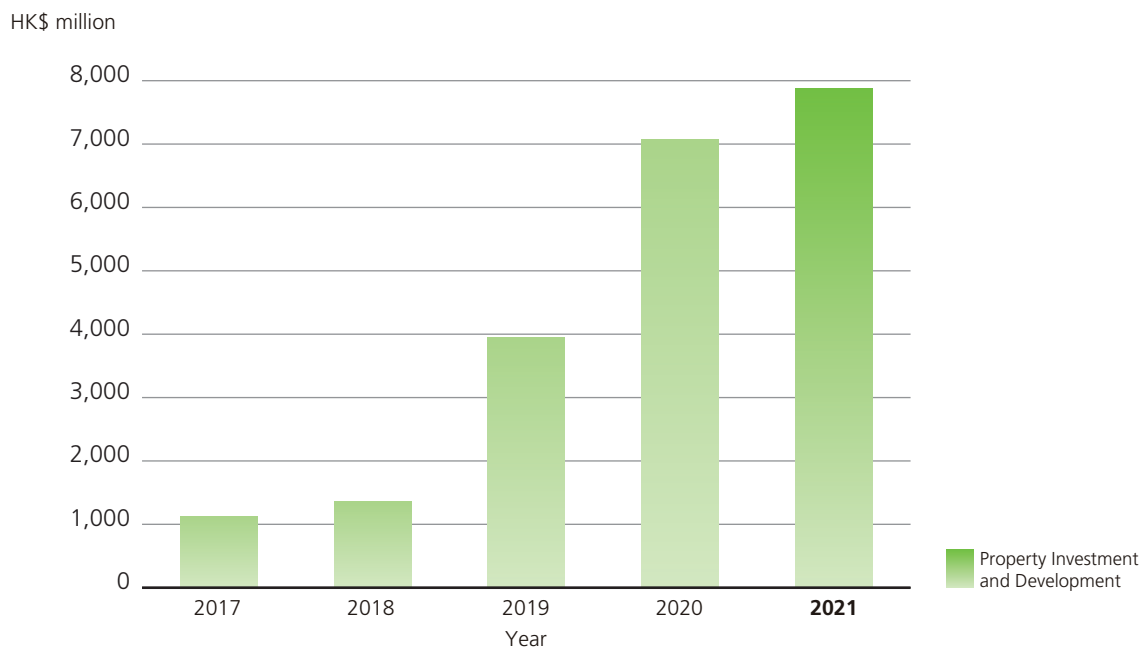
## Water Distribution – Annual Revenue



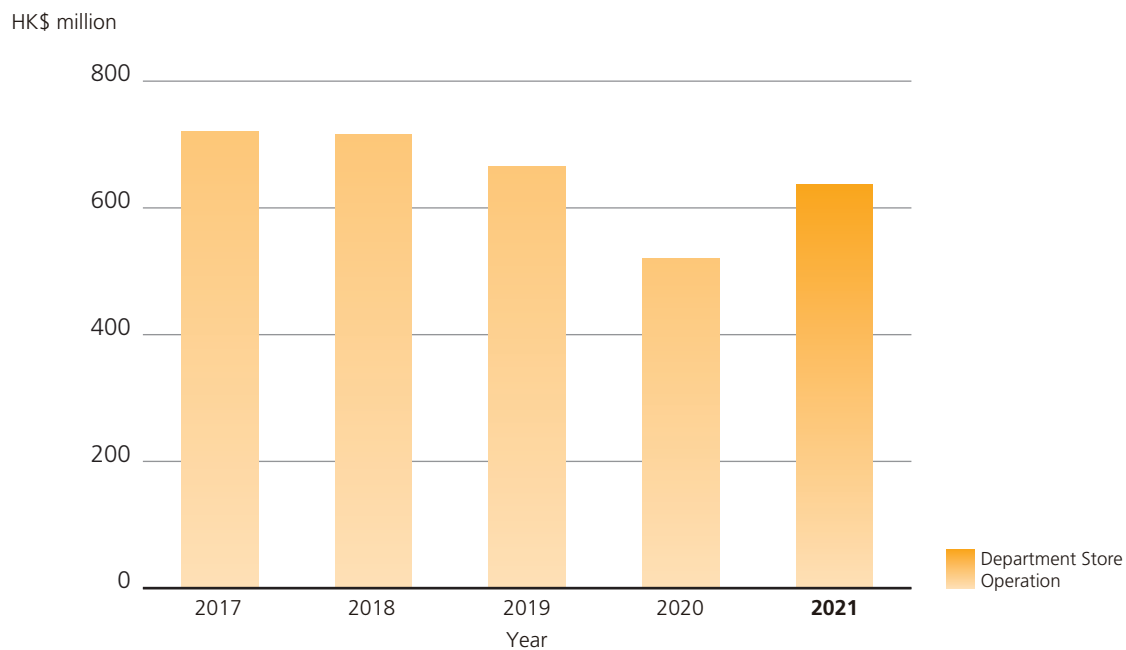


# FINANCIAL HIGHLIGHTS

## Property Investment and Development – Annual Revenue



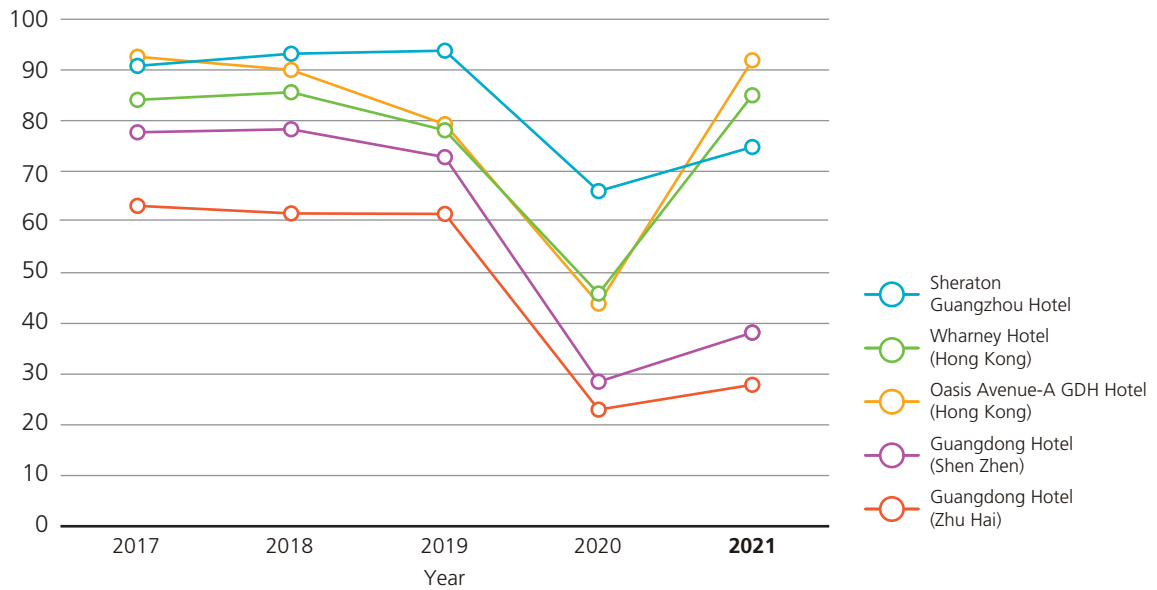
## Department Store Operation – Annual Revenue



# FINANCIAL HIGHLIGHTS

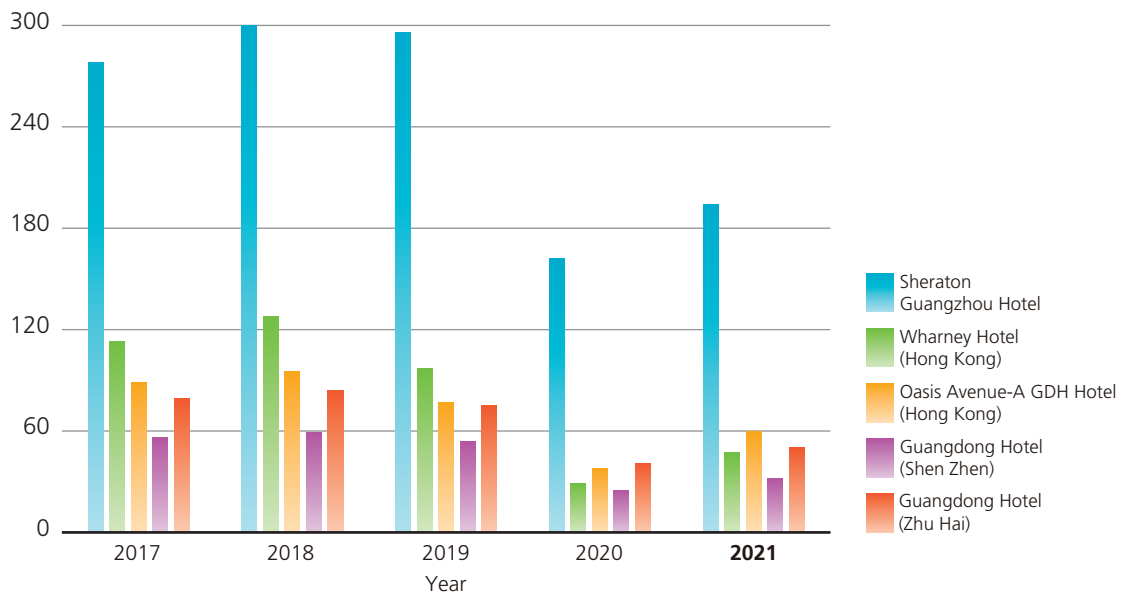
## Hotel Operation and Management – Occupancy Rate

Percentage



## Hotel Operation and Management – Annual Revenue

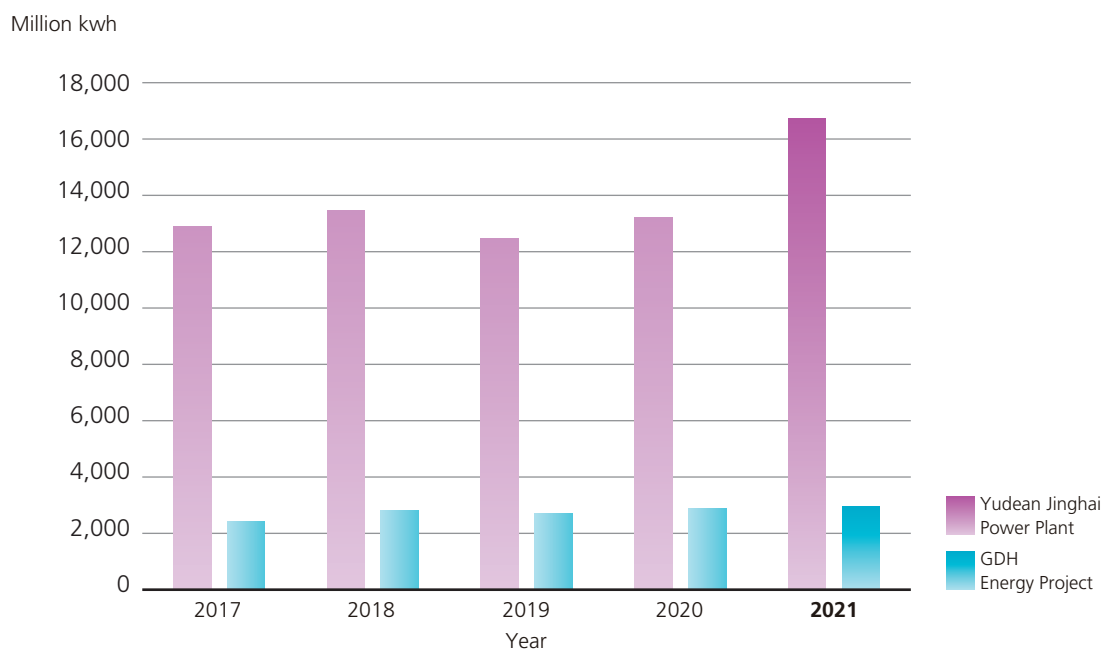
HK\$ million



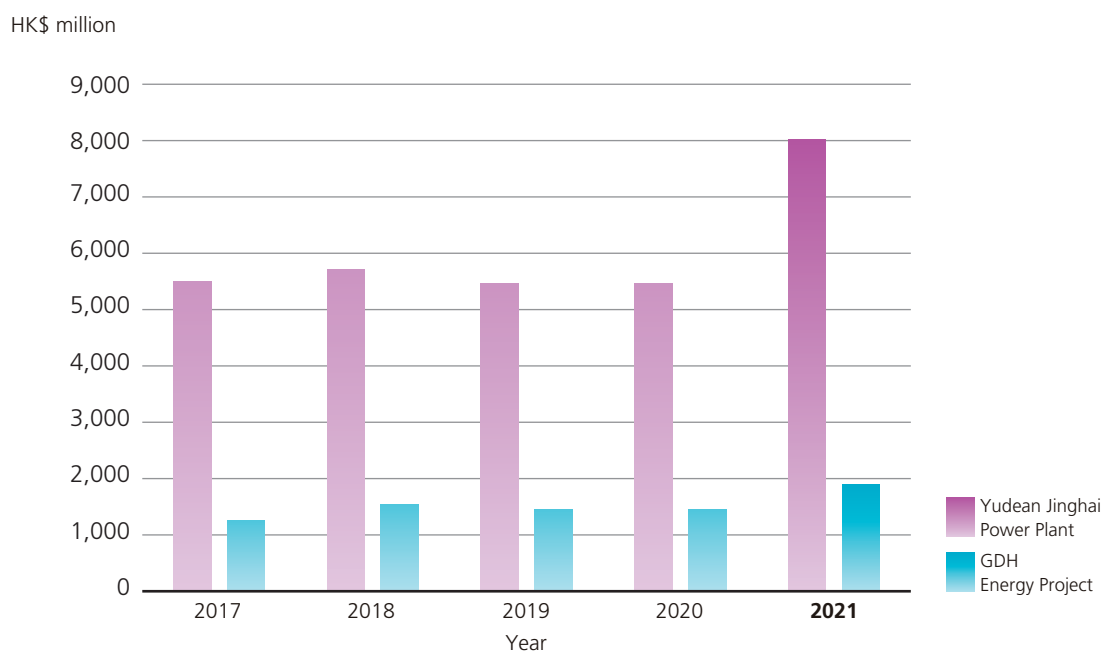


# FINANCIAL HIGHLIGHTS

## Electric Power Generation – Annual Sales of Electricity



## Electric Power Generation – Annual Revenue



# CHAIRMAN'S STATEMENT



**HOU Wailin**  
Chairman

## RESULTS

I am pleased to report to the shareholders our results of 2021. The Group's consolidated profit attributable to owners of the Company for 2021 amounted to HK\$4,697 million (2020: HK\$4,510 million), increasing by 4.1% over 2020. Basic earnings per share increased by 4.1% over the last year to HK 71.84 cents (2020: HK 68.98 cents).

## DIVIDEND

The Group uses its best endeavours to maximise shareholders' interests with a view to creating a long-term value for the stakeholders and considers that dividend forms an integral part of shareholders' return. The Company has maintained a stable dividend distribution policy over the years. The Board recommends the payment of a final dividend of HK 42.54 cents per share for 2021. Aggregating such dividend with the interim dividend of HK 18.17 cents per share paid in 2021, the total dividend for the entire year will be HK 60.71 cents (2020: HK 58.94 cents) per share. The said 2021 final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting, will be paid on or about 28 July 2022.

## REVIEW

In 2021, the global economy managed to rebound somewhat but still lacked momentum in the face of multiple headwinds amid the spreading of COVID-19 and its variants, weakening fiscal support in various economies and bottlenecks in supply chains. Despite widespread economic slowdowns around the world, China's economy maintained steady growth with overall balanced supply and demand, demonstrating good momentum. Faced with an increasingly complex and changing external environment, the Group adhered to the development strategy of "balancing progress and stability and enhancing quality and efficiency". On the one hand, the Group continued to strengthen operational efficiency of its core operations while further optimizing its corporate governance and risk management mechanisms. On the other hand, the Group actively seized market opportunities and intensified efforts to scale up its core operations, thus strengthening the foundation for the sustainable development of the Company.

Among the Group's business segments, water resources segment continued its capacity expansion and accelerated the pace of new project acquisition, initially expanding its footprint to the core areas of Beijing-Tianjin-Hebei region. Property investment and

# CHAIRMAN'S STATEMENT

development segment maintained relatively stable occupancy rates at most properties, with increasing profit contributions from property sales. Hotel operation and management segment still suffered a loss due to unfavorable external social circumstances and declining tourists in Hong Kong, yet through proactive adjustment of business strategies, its operating efficiency has improved as compared to last year. The department store retail segment made progress in the integration of online and offline operations, effectively easing the pressure on its offline operations caused by the impacts of the pandemic and economic downturn. The power segment saw a sharp rise in operating costs and a severe squeeze on profitability due to soaring coal prices, actively transferred the pressure of rising coal prices to downstream customers by fully exploiting the advantages of its cogeneration plants. The road and bridge segment continued to be impacted by the pandemic as its traffic flow and operating performance were yet to be recovered, and will keep monitoring the impact of changes in national highway policies. Meanwhile, the Group closely monitored foreign exchange risks and utilized various strategies to minimize the Group's currency risk exposure.

## PROSPECTS

Looking into 2022, the external environment will be even more complex and uncertain amid ongoing global pandemic, weak global economic recovery momentum and fluctuating commodity prices at elevated levels. China's economic development is under "triple pressure" – shrinking demand, supply shocks and weakening expectations, and the resurgence of the COVID-19 pandemic may cause further disruptions to the economic activities. Faced with uncertain prospects for the economic recovery as well as adverse impact on human mobility, logistics, business operations, capital markets, interest rates and exchange rate market fluctuations due to the treacherous pandemic, the Group will adhere to the development strategy of "balancing progress and stability and enhancing quality and efficiency", maintain stable growth of its core operations and strengthen its risk management capabilities to create long-term value for its stakeholders.

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

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

**HOU Wailin**

*Chairman*

Hong Kong, 30 March 2022



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL OVERVIEW

The consolidated revenue of the Group for 2021 was HK\$29,715 million (2020: HK\$23,173 million), an increase of 28.2% as compared with that of 2020. The increase in revenue was mainly attributable to a better performance in water resources business and property investment and development business during the year.

The consolidated profit before tax for 2021 increased by 3.1% or HK\$256 million to HK\$8,457 million (2020: HK\$8,201 million), which was mainly due to a better performance in water resources business and property investment and development business during the year. Furthermore, the performance in road and bridge business, department store operation business and hotel operation and management business for the year had various degree of recovery as compared to the outbreak of COVID-19 pandemic (the "Pandemic") in 2020. Nevertheless, the increase was partially offset by the decrease in electric power generation business. The net gain arising from fair value adjustments for investment properties for the year was HK\$641 million (2020: HK\$757 million), causing a reduction in profit before tax by HK\$116 million for the year. The net exchange loss of the Group for the year amounted to HK\$85 million (2020: HK\$88 million). Net finance costs of the Group for the year was HK\$303 million (2020: net interest income of HK\$99 million). The consolidated profit attributable to owners of the Company for 2021 increased by 4.1% or HK\$187 million to HK\$4,697 million (2020: HK\$4,510 million).

Basic earnings per share was HK 71.84 cents (2020: HK 68.98 cents), increased by 4.1% as compared with that in 2020.

## BUSINESS REVIEW

A summary of the performance of the Group's major businesses during 2021 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 2021, the Company's interest in GH Water Supply (Holdings) Limited ("GH Water Holdings") was 96.04% (2020: 96.04%). GH Water Holdings holds a 99.0% interest in Guangdong Yue Gang Water Supply Company Limited, the owner of the Dongshen Water Supply Project.

The designed annual capacity of Dongshen Water Supply Project is 2.423 billion tons. Total water supply to Hong Kong, Shenzhen and Dongguan during the year amounted to 2.355 billion tons (2020: 2.205 billion tons), an increase of 6.8%, which generated a revenue of HK\$6,468 million (2020: HK\$6,229 million), an increase of 3.8% over 2020.

Pursuant to the Hong Kong Water Supply Agreement for the years 2018 to 2020 entered into between the Government of the Hong Kong Special Administrative Region ("HKSAR") and the Guangdong Provincial Government ("GPG") in 2017, the annual revenue for water sales to Hong Kong for the three years of 2018, 2019 and 2020 are HK\$4,792.59 million, HK\$4,807.00 million and HK\$4,821.41 million, respectively.

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Water Resources (continued)

#### Dongshen Water Supply Project (continued)

The revenue from water sales to Hong Kong for the year was HK\$4,821 million (2020: HK\$4,821 million). The revenue from water sales to Shenzhen and Dongguan areas for the year increased by 17.0% to HK\$1,647 million (2020: HK\$1,408 million). The profit before tax, excluding net exchange differences and net interest income, of the Dongshen Water Supply Project for the year was HK\$3,785 million (2020: HK\$3,863 million), 2.0% lower than that in 2020.

#### Other Water Resources Projects

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

On 20 April 2021, the Group completed the acquisition of 53% equity interest of 河北粵海水務集團有限公司 (Hebei Guangdong Water Group Co., Ltd.▲) ("Hebei Guangdong Water") (formerly known as 嘉誠環保工程有限公司 — (Jiacheng Environmental Engineering Co., Ltd.▲)) and its subsidiaries ("Hebei Guangdong Water Group"). Hebei Guangdong Water Group is mainly engaged in environmental engineering works in Henan Province and Hebei Province, the PRC. Pursuant to the share transfer agreements, an aggregate amount of no more than RMB3,970 million (equivalent to approximately HK\$4,856 million), comprising share transfer considerations, guarantee for bank refinancing and commitments to provide financial assistance to existing and new water investment projects, is contemplated to be provided by the Group. The total designed water supply capacity and designed waste water processing capacity of its existing water projects are 50,000 tons per day and 468,000 tons per day, respectively. In addition, Hebei Guangdong Water has successfully bid for certain water resources projects and the total designed waste water processing capacity of these potential projects is 320,000 tons per day. Further details of the transaction are set out in the Company's announcement dated 19 April 2021. Other than the above investment, the Group also successfully bid/contracted for nine new water resources projects respectively located in Jieyang City, Yunfu City, Kaiping City, Shanwei City and Xinyi City of Guangdong Province, Pizhou City and Xuyi County of Jiangsu Province, Nanchang County of Jiangxi Province and Danzhou City of Hainan Province, the PRC, and the expansion of an existing water resources project in Puning City of Guangdong Province, the PRC, with total designed water supply capacity and waste water processing capacity of 1,371,200 tons per day and 108,000 tons per day, respectively. The expected total investment amount of these projects, including Hebei Guangdong Water Group, is approximately up to RMB7,739 million (equivalent to approximately HK\$9,466 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 2021 are 13,783,200 tons per day (2020: 12,412,000 tons per day) and 2,635,200 tons per day (2020: 1,739,200 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 Company	Water supply capacity (tons per day)	Waste water processing capacity (tons per day)
東莞市清溪粵海水務有限公司 (Dongguan Qingxi Guangdong Water Co., Ltd.▲)	290,000	–
梅州粵海水務有限公司 (Meizhou Guangdong Water Co., Ltd.▲)	310,000	250,000
Yizheng Yuehai Water Supply Co., Ltd.	150,000	–
Gaoyou GDH Water Co., Ltd.	150,000	–
Baoying GDH Water Co., Ltd.	130,000	–
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd.▲)	100,000	–
梧州粵海江河水務有限公司 (Wuzhou Guangdong Jianghe Water Co., Ltd.▲)	355,000	–
Zhaoqing HZ GDH Water Co., Ltd.	120,000	–
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.▲)	73,500	–
盱眙粵海水務有限公司 (Xuyi Guangdong Water Co., Ltd.▲)	100,000	–
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
興寧粵海環保有限公司 (Xingning Guangdong Huanbao Co., Ltd.▲)	–	3,000
開平粵海污水處理有限公司 (Kaiping Guangdong Sewage Treatment Co., Ltd.▲)	–	25,000
汕尾粵海環保有限公司 (Shanwei Guangdong Huanbao Co., Ltd.▲)	–	30,000
高州粵海水務有限公司 (Gaozhou Guangdong Water Co., Ltd.▲)	100,000	–
江西粵海公用事業集團有限公司 (Jiangxi Guangdong Public Utilities Holdings Co., Ltd.▲ and its subsidiaries)	781,500	81,000
六盤水粵海環保有限公司 (Liupanshui Guangdong Huanbao Co., Ltd.▲)	–	115,000
昆明粵海水務有限公司 (Kunming Guangdong Water Co., Ltd.▲)	24,000	20,000
雲浮粵海水務有限公司 (Yunfu Guangdong Water Co., Ltd.▲)	50,000	–
大埔粵海環保有限公司 (Dapu Guangdong Huanbao Co., Ltd.▲)	–	21,900
韶關粵海綠源環保有限公司 (Shaoguan Guangdong Luyuan Huanbao Co., Ltd.▲)	–	28,500
陽山粵海環保有限公司 (Yangshan Guangdong Huanbao Co., Ltd.▲)	–	11,300
雲浮市自來水有限公司 (Yunfu City Water Supply Co., Ltd.▲)	105,000	–
雲浮市粵海環保有限公司 (Yunfu City Guangdong Huanbao Co., Ltd.▲)	–	60,000
雲浮市雲安區怡源環保有限公司 (Yunfu City Yunan District Yiyuan Huanbao Co., Ltd.▲)	–	10,000
雲浮市粵海清源環保有限公司 (Yunfu City Guangdong Qingyuan Huanbao Co., Ltd.▲)	–	15,000
郁南縣粵海環保有限公司 (Yunan County Guangdong Huanbao Co., Ltd.▲)	–	20,000
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.▲)	460,000	–
普寧粵海水務有限公司 (Puning Guangdong Water Co., Ltd.▲)	370,000	–
潮州市粵海環保有限公司 (Chaozhou Guangdong Huanbao Co., Ltd.▲)	–	20,000



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Water Resources (continued)

#### Other Water Resources Projects (continued)

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

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:

<b>Name of subsidiaries of the Company</b> (continued)	<b>Water supply capacity</b> (tons per day)	<b>Waste water processing capacity</b> (tons per day)
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.▲)	20,000	–
Hebei Guangdong Water Group	10,000	403,000
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	–
	<hr/>	<hr/>
Total for year 2021	4,927,200	1,573,200
	<hr/> <hr/>	<hr/> <hr/>
Total for year 2020	2,833,500	1,091,300
	<hr/> <hr/>	<hr/> <hr/>
		<b>Water supply capacity</b> (tons per day)
<b>Name of associates of the Company</b>		
Foundation Gang-Wu (Changzhou) Water Supply Co., Ltd		600,000
Guangzhou Nansha GDH Water Co., Ltd.		430,000
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
		<hr/>
Total for year 2021		2,380,000
		<hr/> <hr/>
Total for year 2020		1,950,000
		<hr/> <hr/>

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Water Resources (continued)

#### Other Water Resources Projects (continued)

##### 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 and associates of the Group as at 31 December 2021 are as follows:

Name of subsidiaries of the Company	Water supply capacity (tons per day)	Waste water processing capacity (tons per day)
恩施粵海水務有限公司 (Enshi Guangdong Water Co., Ltd.▲)	400,000	–
湛江市鶴地供水營運有限公司 (Zhanjiang Hedi Water Supply Operation Co., Ltd.▲)	1,060,000	–
荔浦粵海水務有限公司 (Lipu Guangdong Water Co., Ltd.▲)	80,000	–
豐順粵海水務有限公司 (Fengshun Guangdong Water Co., Ltd.▲)	50,000	–
汕尾粵海清源環保有限公司 (Shanwei Guangdong Qingyuan Huanbao Co., Ltd.▲)	–	200,000
五華粵海碧源環保有限公司 (Wuhua Guangdong Biyuan Huanbao Co., Ltd.▲)	–	40,000
湘陰粵海水務有限公司 (Xiangyin Guangdong Water Co., Ltd.▲)	200,000	–
揭陽粵海水務有限公司 (Jieyang Guangdong Water Co., Ltd.▲)	100,000	–
普寧粵海水務有限公司 (Puning Guangdong Water Co., Ltd.▲)	110,000	–
海南儋州粵海自來水有限公司 (Hainan Danzhou Guangdong Tap Water Co., Ltd.▲)	–	3,500
平遠粵海水務有限公司 (Pingyuan Guangdong Water Co., Ltd.▲)	20,000	–
揭陽粵海四航國業水務有限公司 (Jieyang Guangdong Sihang Guoye Water Co., Ltd.▲) (name subsequently changed to 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
Hebei Guangdong Water Group	–	65,000
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	–
信宜粵海水務有限公司 (Xinyi Guangdong Water Co., Ltd.▲)	100,000	–
<b>Total</b>	<b>2,364,600</b>	<b>343,500</b>

Revenue of Other Water Resources Projects for the year in aggregate amounted to HK\$11,369,997,000 (2020: HK\$6,786,342,000), 67.5% higher than that in 2020, of which income from construction services amounted to HK\$6,790,344,000 (2020: HK\$4,386,877,000). The growth was mainly attributable to additional returns from those water resources projects newly acquired or launched as well as an increase in construction revenue from those projects under construction. Profit before tax of Other Water Resources Projects for the year, excluding the net exchange differences and net finance costs, amounted to HK\$1,332,977,000 (2020: HK\$667,566,000) in aggregate, 99.7% higher than that in 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Water Resources (continued)

#### Other Water Resources Projects (continued)

##### New Water Resources Projects

After the end of the reporting period, the Group entered into a supplemental concession agreement for expansion of an existing sewage treatment plant in Yunfu City of Guangdong Province, the PRC. The designed waste water processing capacity of the project is 40,000 tons per day and the expected total investment amount of the project is approximately RMB161 million (equivalent to approximately HK\$197 million).

## Property Investment and Development

### Mainland China

#### GDH Teem

As at 31 December 2021, the Group held an effective interest of 76.13% in 廣東粵海天河城(集團)股份有限公司 (GDH Teem (Holdings) Limited▲) (“GDH Teem”), the property owner of Teem Plaza. Teem Plaza comprises a shopping mall, an office building and a hotel. The shopping mall and the office building are held for investment purposes by the Group.

Revenue of GDH Teem’s property investment business mainly comprises rental income from both the shopping mall (including rentals from the department stores operated by the Group) and the office building of Teem Plaza. In 2020, GDH Teem disposed of 廣東粵海天河城商業管理有限公司 (GDH Teem Commercial Management Co., Ltd.▲). Revenue of GDH Teem, excluding property management fee income, increased by 7.6% to HK\$1,032,765,000 (2020: HK\$959,378,000), which was mainly due to recovery from the Pandemic during the year. In addition, the effect of the real estate tax exemption policy introduced last year ceased to exist, the profit before tax for the year, excluding changes in fair value of investment properties and net interest income, decreased by 1.3% to HK\$743,341,000 (2020: HK\$753,001,000).

The shopping mall of Teem Plaza, known as the Teemall, had an average occupancy rate of nearly 99.9% for the year (2020: 99.9%). The mall is successful in retaining existing brand-name tenants and attracting new ones.

The office building of Teem Plaza, known as Teem Tower, with an average occupancy rate of 95.0% (2020: 94.9%) during the year, had a total revenue for the year of HK\$226,665,000 (2020: HK\$198,283,000), increased by 14.3%. The profit before tax for the year, excluding changes in fair value of investment properties, increased by 12.5% to HK\$191,050,000 (2020: HK\$169,770,000).



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Property Investment and Development (continued)

#### Mainland China (continued)

##### Panyu GDH Plaza

The Group's effective interest in 廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Company Limited▲) ("Wanye") is 31.06%. 廣州粵海天河城投資有限公司 (Guangzhou Yuehai Tianhecheng Investment Co., Ltd.▲), a 60%-owned subsidiary of GDH Teem, directly holds 68% interest in Wanye.

Wanye owns Panyu GDH Plaza which is a large-scale integrated commercial project with a total gross floor area ("GFA") of approximately 383,000 sq.m. (including car-parking spaces) and located in Panyu Wanbo Central Business District. As at 31 December 2021, the cumulative land and development cost incurred by the Group for Panyu GDH Plaza amounted to approximately HK\$3,815 million (2020: approximately HK\$3,706 million).

The development of the commercial residential units and offices of Panyu GDH Plaza with a total GFA of approximately 166,000 sq.m. (including car-parking spaces) had been completed and are available for sale, of which properties with GFA of approximately 109,700 sq.m. are held for sale. As at 31 December 2021, sales contracts for accumulated GFA of approximately 109,200 sq.m. (2020: approximately 102,800 sq.m.) had been signed, in which properties with accumulated GFA of approximately 109,200 sq.m. (2020: approximately 99,000 sq.m.) had been delivered, representing 99.5% (2020: 90.2%) of available completed properties held for sale.

The shopping mall complex of Panyu GDH Plaza, known as Panyu Teemall, comprises two connected shopping areas and was opened on 25 December 2020. Panyu Teemall has a total GFA of approximately 217,000 sq.m. (including car-parking spaces), of which the commercial area for lease is approximately 144,000 sq.m.. During the year, Panyu Teemall had an occupancy rate of 90.4% (2020: 84.0%).

Revenue of Panyu GDH Plaza for the year was HK\$616,135,000 (2020: HK\$1,855,108,000), of which income from sales of properties and revenue of Panyu Teemall amounted to HK\$352,367,000 (2020: HK\$1,845,887,000) and HK\$263,768,000 (2020: HK\$9,221,000), respectively. Profit before tax for the year, excluding changes in fair value of investment properties and net interest income amounted to HK\$311,206,000 (2020: HK\$804,653,000), of which profit from sales of properties and profit from Panyu Teemall amounted to HK\$156,125,000 (2020: HK\$860,325,000) and HK\$155,081,000 (2020: loss before tax of HK\$55,672,000), respectively.

##### Tianjin Yuehai Teem Shopping Mall

The Group held an effective interest of 76.02% in Tianjin Yuehai Teem Shopping Center Co., Ltd., the property owner of Tianjin Yuehai Teem Shopping Mall. Tianjin Yuehai Teem Shopping Mall, with a total GFA of approximately 205,000 sq.m., of which 145,000 sq.m. was held for rental purposes, is situated at a convenient location above underground railroads and is one of the leading shopping and leisure destinations in the renowned "Binjiang Dao – Heping Road" Commercial District in Tianjin.

Tianjin Yuehai Teem Shopping Mall with tenants comprising local and well-known multinational enterprises, had an average occupancy rate of 95.0% (2020: 90.1%) during the year. Revenue of Tianjin Yuehai Teem Shopping Mall for the year was HK\$236,201,000 (2020: HK\$167,680,000), increased by 40.9%. The profit before tax of Tianjin Yuehai Teem Shopping Mall for the year, excluding changes in fair value of investment properties and net finance costs, was HK\$88,940,000 (2020: HK\$68,950,000), increased by 29.0%.

##### Guangdong Land Holdings Limited ("GD Land")

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

On 29 October 2020, GD Land entered into agreements with certain subsidiaries of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited▲) ("Guangdong Holdings"), the ultimate holding company of the Company, to acquire (i) 51% interest in 江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd.▲) and its 51% outstanding shareholder's loan at a total consideration of approximately RMB954 million (equivalent to approximately HK\$1,143 million) and (ii) 100% interest in 惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.▲) at a consideration of approximately RMB274 million (equivalent to approximately HK\$328 million). The two acquisitions were completed in January 2021.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Property Investment and Development (continued)

#### Mainland China (continued)

##### Guangdong Land Holdings Limited ("GD Land") (continued)

Further, on 26 September 2021, GD Land succeeded in the bid for the land use rights of the land parcel at Baiyun New Town, Baiyun District, Guangzhou City (the "Land Parcel") through the public listing-for-sale process with consideration amounted to RMB10,187 million (equivalent to approximately HK\$12,278 million). The Land Parcel consists of three pieces of land with an aggregate site area of approximately 116,471 sq.m. and a total GFA included in the calculation of the plot ratio of approximately 506,000 sq.m.. Further details of the transaction are set out in the joint announcement of the Company and GD Land dated 26 September 2021.

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

#### Completed Properties Held for Sale

Property project	Location	Use	Interest held by GD Land	Approximate GFA of project (sq.m.)	Accumulated GFA contracted (sq.m.)	Approximate GFA delivered		The proportion of accumulated GFA delivered to GFA available for sale
						Year under review (sq.m.)	Accumulated (sq.m.)	
Northwestern Land of Shenzhen GDH City	Shenzhen City, the PRC	Business apartment/ Commercial	100%	114,654	99,452	71,538	93,696	81.7%
Guangzhou Laurel House	Guangzhou City, the PRC	Residential	100%	65,636	65,636	11,440	65,636	100.0%
Guangzhou Laurel House	Guangzhou City, the PRC	Car-parking spaces	100%	2,764	2,197	1,779	1,779	64.4%
Baohuaxuan	Guangzhou City, the PRC	Residential	100%	3,884	3,884	199	3,884	100.0%
Ruyingju	Guangzhou City, the PRC	Residential	80%	94,617	94,617	193	94,617	100.0%
Ruyingju	Guangzhou City, the PRC	Car-parking spaces	80%	8,052	5,896	917	5,896	73.2%

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Property Investment and Development (continued)

#### Mainland China (continued)

#### Guangdong Land Holdings Limited ("GD Land") (continued)

#### Properties Held for Sale under Development and Investment Properties under Development

Property project	Location	Use	Interest held by GD Land	Approximate total site area (sq.m.)	Approximate GFA*	Progress	Expected completion and filing date
Northern Land of Shenzhen GDH City Project	Shenzhen City, the PRC	Commercial/ Offices/Mall	100%	33,802	146,551	Commercial shopping building superstructure and tower superstructure topped out, and renovation works in progress	2nd half of 2022
Southern Land of Shenzhen GDH City Project	Shenzhen City, the PRC	Offices/Mall	100%	16,044	199,500	Commercial shopping building structure topped out and the masonry works and renovation works in progress, and superstructure construction and masonry works and renovation of the office tower underway	2023
Chenyuan Road Project	Jiangmen City, the PRC	Residential/ Commercial service	100%	59,705	164,216	Superstructure of all phases topped out and renovation works in progress	2nd half of 2022
Zhuhai Jinwan Project	Zhuhai City, the PRC	Residential/ Commercial	100%	66,090	166,692	Superstructure construction works of the first phase of the properties in progress, and basement structural works for other properties underway	2024
Foshan Laurel House Project	Foshan City, the PRC	Residential/ Commercial	100%	43,284	151,493	Superstructure construction works of each phase of the properties in progress	2023
Zhongshan GDH City Project	Zhongshan City, the PRC	Residential	97.64%	98,811	247,028	Superstructure construction works of each phase of the properties in progress	2023
Jiangmen Ganhua Project (Jiangmen Land No. 3 – 5)	Jiangmen City, the PRC	Residential/ Commercial	51%	174,538	396,600	Superstructure of all properties on Land No.3 topped out and renovation works in progress, and superstructure of some properties on Land No.4 topped out and superstructure construction works of other properties in progress	2026
Huizhou Dayawan Project	Huizhou City, the PRC	Residential/ Commercial	100%	30,698	92,094	Superstructure construction works of each phase of the properties in progress	2023
Guangzhou Yungang City Project	Guangzhou City, the PRC	Residential/ Commercial	100%	114,463	506,000	Basement and earthwork excavation of each phase of the properties underway	2025

\*Note: Including (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)

#### Guangdong Land Holdings Limited ("GD Land") (continued)

#### Properties Held for Sale under Development which Pre-sale has Commenced

Property project	Location	Use	Interest held by GD Land	Approximate GFA included in calculation of plot ratio (sq.m.)	Approximate GFA contracted		The proportion of accumulated GFA contracted to GFA available for sale	Date of pre-sale
					Year under review (sq.m.)	Accumulated (sq.m.)		
Chenyuan Road Project	Jiangmen City, the PRC	Residential/Commercial service	100%	164,216	30,605	30,605	18.6%	January 2021
Jiangmen Ganhua Project (Jiangmen Land No. 3 – 5)	Jiangmen City, the PRC	Residential/Commercial	51%	396,600	25,920	25,920	6.5%	May 2021
Zhuhai Jinwan Project	Zhuhai City, the PRC	Residential/Commercial	100%	166,692	12,945	12,945	7.8%	June 2021
Zhongshan GDH City Project	Zhongshan City, the PRC	Residential	97.64%	247,028	17,376	17,376	7.0%	September 2021
Foshan Laurel House Project	Foshan City, the PRC	Residential/Commercial	100%	151,493	3,301	3,301	2.2%	October 2021

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 157,000 sq.m. (2020: 60,000 sq.m.) and 86,000 sq.m. (2020: 57,000 sq.m.), respectively. Revenue of GD Land for the year increased by 50.1% to HK\$6,006,392,000 (2020: HK\$4,000,332,000), of which income from sales of properties amounted to HK\$5,986,116,000 (2020: HK\$3,983,828,000). The profit before tax of GD Land for the year, excluding changes in fair value of investment properties and net finance costs, was HK\$1,914,932,000 (2020: HK\$596,655,000).

#### Hong Kong

##### Guangdong Investment Tower

The average occupancy rate of Guangdong Investment Tower for the year was 92.5% (2020: 95.5%). The total revenue for the year decreased by 6.5% to HK\$51,527,000 (2020: HK\$55,094,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Department Store Operation

As at 31 December 2021, the Group operated five stores with a total leased area of approximately 123,900 sq.m. (2020: approximately 125,800 sq.m.). The total revenue for the year increased by 22.5% to HK\$636,688,000 (2020: HK\$519,900,000). The increase in total revenue for the year was mainly due to a slight rebound in foot traffic and sales volume as compared to the outbreak of the Pandemic in 2020. The profit before tax for the year decreased by 32.5% to HK\$79,975,000 (2020: HK\$118,425,000), which was mainly due to the pre-commencement expenses of a new store incurred during the year.

The revenue of the stores operated by the Group for the year ended 31 December 2021 was as follows:

	Leased area sq.m.	2021 HK\$'000	2020 HK\$'000	Changes %
Teemall Store	42,300	407,925	332,110	+22.8
Wan Bo Store	20,200	66,027	60,933	+8.4
Ming Sheng Store	11,900	24,889	21,190	+17.5
Dong Pu Store	28,300	92,220	70,356	+31.1
Ao Ti Store	21,200	45,241	33,640	+34.5
Dongguan Store (closed in April 2020)	–	–	1,040	-100.0
Nanhai Store (closed in October 2021)	–	386	631	-38.8
	123,900	636,688	519,900	+22.5

### Hotel Ownership, Operation and Management

As at 31 December 2021, the Group's hotel management team managed a total of 27 hotels (2020: 37 hotels), of which three were located in Hong Kong, one in Macau and 23 in Mainland China. As at 31 December 2021, five star-rated hotels, of which two in Hong Kong, one in each of Shenzhen, Guangzhou and Zhuhai, were owned by the Group. Of these five hotels, four were managed by our hotel management team with the exception of Sheraton Guangzhou Hotel in Guangzhou, which was managed by Sheraton Overseas Management Corporation. One hotel, which was originally used as staff dormitory, situated in Zhuhai City was under construction by the Group as at 31 December 2021.

During the year, the average room rate of Sheraton Guangzhou Hotel was HK\$904 (2020: HK\$876) whereas the average room rate of the remaining four star-rated hotels were HK\$380 (2020: HK\$359). The average occupancy rate of Sheraton Guangzhou Hotel was 74.8% (2020: 66.1%) and that of the other four star-rated hotels was 57.6% (2020: 34.2%) during the year.

As compared to the outbreak of the Pandemic in 2020, the overall demand for accommodation has recovered slightly. Accordingly, the revenue of hotel ownership, operation and management business for the year increased by 29.3% to HK\$398,033,000 (2020: HK\$307,745,000). The loss before tax for the year, excluding changes in fair value of investment properties and net exchange differences, amounted to HK\$48,394,000 (2020: HK\$79,595,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Energy Projects

#### **GDH Energy Project**

Zhongshan Power (Hong Kong) Limited, a subsidiary of the Company, holds a 75% interest in 中山粵海能源有限公司 (Zhongshan GDH Energy Co., Ltd.▲) (“GDH Energy”). GDH Energy has two power generation units with a total installed capacity of 600 MW. Sales of electricity during the year amounted to 2,969 million kwh (2020: 2,877 million kwh), increased by 3.2%. Due to the increase in sales of electricity and electricity tariff, revenue of GDH Energy project (including intersegment sales) generated from electricity sales and related operations for the year increased by 30.2% to HK\$1,897,278,000 (2020: HK\$1,457,758,000). Owing to the large-scale coal supply shortage and continuously escalating coal price in China, coal-fired power producers experienced significant increase in cost of production. The coal-fired power generation industry faces tremendous difficulty in operation since the third quarter of 2021. The loss before tax of GDH Energy for the year, excluding net exchange differences and net finance costs, was HK\$176,670,000 (2020: profit before tax of HK\$228,175,000).

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

The Group’s effective interest in Yudean Jinghai Power is 25%. As at 31 December 2021, Yudean Jinghai Power had four power generation units with a total installed capacity of 3,200 MW. Sales of electricity for the year amounted to 16,742 million kwh (2020: 13,214 million kwh), an increase of 26.7%. Due to the increase in sales of electricity and electricity tariff, revenue for the year increased by 46.6% to HK\$8,018,941,000 (2020: HK\$5,469,551,000). As affected by the significant increase in coal price, the loss before tax of Yudean Jinghai Power for the year was HK\$848,630,000 (2020: profit before tax of HK\$690,320,000). The Group’s share of loss in Yudean Jinghai Power amounted to HK\$159,581,000 (2020: share of profit of HK\$129,349,000) during the year.

### Road and Bridge

#### **Xingliu Expressway**

廣西粵海高速公路有限公司 (Guangxi GDH Highway Co., Ltd.▲) (“GDH Highway”) is principally engaged in the operation of the Xingliu Expressway. The Xingliu Expressway comprises a main line which is approximately 100 km in length and three connection lines (to Xingye, Guigang and Hengxian) with an aggregate length of approximately 53 km. As at 31 December 2021, the main structural work of highway enhancement project of Xingliu Expressway had been completed with accumulated construction costs incurred of approximately RMB1,167 million (equivalent to approximately HK\$1,427 million) and it has been fully opened to traffic.

The average daily toll traffic flow of the Xingliu Expressway increased by 58.8% to 22,710 vehicle trips (2020: 14,305 vehicle trips) which was mainly due to the absence of the 79 days toll-free period as announced in 2020, the effect of which was partly offset by the impact of closed lanes caused by the highway enhancement project during the year. The revenue of GDH Highway during the year amounted to HK\$1,369,534,000 (2020: HK\$1,056,723,000), increased by 29.6%, which was due to the increase in revenue from construction services of HK\$710,453,000 (2020: HK\$634,349,000) arising from the highway enhancement project. Profit before tax during the year, excluding net interest income, amounted to HK\$377,086,000 (2020: HK\$212,166,000), increased by 77.7%.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW (continued)

### Road and Bridge (continued)

#### Yinping PPP Project

In 2016, the Company entered into a cooperation agreement with 東莞市謝崗鎮人民政府 (Dongguan City Xiegang Town People's Government) (the "Xiegang Government") in respect of a public-private-partnership project (the "Yinping PPP Project") for the development of certain A-grade highways, connecting roads and municipal roads (not being toll roads) (each a "Project Road" and together, the "Project Roads") and the related ancillary support services such as drainage, greening and lighting in 銀瓶創新區 (Yinping Innovation Zone) in Dongguan, Guangdong, the PRC. The Company had established Dongguan Yuehai Yinping Development and Construction Limited ("Yuehai Yinping"), a wholly-owned subsidiary of the Company, to perform the Company's obligations in the Yinping PPP Project.

During the period of construction of the Project Roads (the "Development Period"), the Group shall be responsible for providing funding for the development of the Project Roads (the "Development Costs") depending on the overall development plan and progress of Yinping Innovation Zone in phases with the total Development Costs not exceeding RMB4.754 billion (equivalent to approximately HK\$5.815 billion). The Xiegang Government shall pay the Development Costs by 10 annual instalments throughout the maintenance period, being ten years (the "Maintenance Period") from the acceptance of the Project Roads by the Xiegang Government.

During the Development Period, the Group would be entitled to an accrued interest at 8% (compounded annually) from the date of each amount disbursed by Yuehai Yinping that constitutes the Development Costs for such Project Roads until the end of the Development Period of the relevant Project Roads. This amount (the "Accrued Interest Amount") will be paid by 10 annual instalments throughout the Maintenance Period. In addition, a management fee (the "Management Fee") equal to 2.5% of the Development Costs will be payable by 10 annual instalments throughout the Maintenance Period and an annual maintenance fee equal to 1.1% of the total Development Costs, will be payable annually over the Maintenance Period by the Xiegang Government. The aggregate of the then outstanding Development Costs, the Accrued Interest Amount and the Management Fee are calculated on an accrued interest at 8% per annum on a reducing balance basis over the Maintenance Period.

As at 31 December 2021, out of a total of eight Project Roads, four Project Roads (2020: two Project Roads) were completed and one Project Road (2020: three Project Roads) were under construction. As at 31 December 2021, Development Costs amounting to approximately RMB1,724 million (equivalent to approximately HK\$2,109 million) (2020: approximately RMB1,453 million (equivalent to approximately HK\$1,726 million)) have been paid in relation to the Yinping PPP Project.

The total Accrued Interest Amount, Management Fee and maintenance fee of Yuehai Yinping recognised during the year increased by 57.3% to HK\$157,653,000 (2020: HK\$100,215,000) and profit before tax increased by 65.7% to HK\$147,043,000 (2020: HK\$88,752,000) during the year.

## LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 31 December 2021, cash and cash equivalents of the Group decreased by HK\$772 million to HK\$9,595 million (2020: HK\$10,367 million), of which 97.26% was denominated in Renminbi, 2.73% in Hong Kong dollars and 0.01% in United States dollars.

As at 31 December 2021, the Group's financial borrowings increased by HK\$17,422 million to HK\$28,860 million (2020: HK\$11,438 million), of which 25.5% was denominated in Hong Kong dollars, 74.5% in Renminbi, including loans from the ultimate holding company and fellow subsidiaries of HK\$4,135 million and the non-interest-bearing advance of HK\$118 million. Of the Group's total financial borrowings, HK\$7,047 million was repayable within one year while the remaining balances of HK\$14,655 million and HK\$7,158 million are repayable within two to five years and beyond five years from the end of the reporting period, respectively. Furthermore, the interest rate structure of the Group's total financial borrowings consists of 99.0% floating rate borrowings, 0.5% fixed rate borrowings and 0.5% non-interest bearing borrowings as at 31 December 2021.

The Group maintained a credit facility of HK\$15,324 million as at 31 December 2021 (2020: HK\$5,591 million).



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, GEARING AND FINANCIAL RESOURCES (continued)

As at 31 December 2021, the Group's gearing ratio (i.e. net financial indebtedness/net asset value (excluding non-controlling interests)) was 48.9% (2020: 6.6%). The Group was in a healthy debt servicing position with the EBITDA/finance cost incurred as at 31 December 2021 being 12.8 times (2020: 28.9 times).

Net cash outflows from operating activities for the year amounted to approximately HK\$4,939 million (2020: net cash inflows from operating activities of HK\$3,413 million), which was mainly due to completion of payment for the land parcels held by GD Land. GD Land recorded net cash outflows from operating activities for the year which amounted to approximately HK\$9,643 million (2020: net cash outflows from operating activities of HK\$2,011 million). The Group's other segments continue to remain sound with consistent positive net operating cash inflows. The existing cash resources of the Group, together with steady cash flows generated from the Group's operations, are sufficient to meet the Group's payment obligation and business requirements.

## PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2021, except for (i) certain property assets of HK\$11,506 million (2020: property assets and leasehold land of HK\$5,780 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\$8,866 million (2020: HK\$2,957 million); (iii) equity interest in certain subsidiaries of the Group with total costs of approximately HK\$4,561 million (2020: HK\$1,391 million), which were pledged to secure certain bank and other loans, none of the property, plant and equipment, concession rights for water distribution, sewage treatment and toll road operations (comprising operating concession rights and receivables under service concession agreements) were pledged to secure bank and other loans granted to the Group.

Except for the guarantees made to certain banks in relation to the mortgages of properties sold of approximately HK\$899 million (2020: approximately HK\$1,284 million) as disclosed in note 38 of this report, there was no other material contingent liability as at 31 December 2021 and 2020.

## CAPITAL EXPENDITURE

The Group's capital expenditure during the year amounted to HK\$15,526 million which was principally related to the construction and asset acquisition cost for water supply and sewage treatment plants (including operating concession rights and receivables under service concession arrangements), development cost for investment property projects, construction cost for the highway enhancement project and acquisitions of subsidiaries.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE AND INTEREST RATES AND RELATED HEDGES

As at 31 December 2021, total Renminbi borrowings amounted to HK\$21,482 million (2020: HK\$6,563 million). The Group did not use derivative financial instruments to hedge its foreign currency risk. The Group believed that no significant impact was caused by the fluctuation of RMB exchange rate on the Group's financial position as there is a natural hedging mechanism. Meanwhile, the Group dynamically monitored the foreign exchange exposure and made necessary adjustments in accordance with the change in market environment.

As at 31 December 2021, the Group's total floating rate borrowings amounted to HK\$28,560 million (2020: HK\$11,103 million). The interest rate risk exposure was considered to be low and thus no interest rate hedging was considered necessary. The Group will continue to review the market trend as well as its business operation's needs, so as to arrange the most effective risk management tools.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Macroeconomic Risk

As a diversified conglomerate with investments in different business segments, the financial and operating performance of the Company is inextricably linked to the macroeconomic environment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PRINCIPAL RISKS AND UNCERTAINTIES (continued)

### Macroeconomic Risk (continued)

Internationally, the global economic outlook remains highly uncertain amid the novel coronavirus flare-up, 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 due to effective pandemic control measures. However, due to the combined effects of the resurging novel coronavirus outbreak, acceleration of replacement of old growth drivers with new initiatives and Renminbi exchange rate fluctuations, economic fundamentals remain challenging. Macroeconomic development increasingly faces dilemmas such as maintaining growth while attempting further structural adjustment without causing high inflation, which may cause uncertainties in future macroeconomic policies in areas such as fiscal, taxation, credit and exchange rate. Consequently, the Company will closely monitor changes in macroeconomic conditions, capital markets and business operating environments, and provide regular market updates to management according to existing company procedures in order to ensure effective implementation of the Company's development strategies and maintain its corporate competitiveness under such external economic environment.

### Foreign Currency Risk

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

### Market Competition Risk

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

### 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.

Regarding the ongoing risks to the Company's business operations arising from the novel coronavirus epidemic, the Group has established and improved its management systems and emergency plans, and will do the best to prevent and control the pandemic to guarantee safe and smooth production of different business segments and effectively minimize the product safety management risk as well as personnel safety management risk that come from the novel coronavirus epidemic.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, the Group had a total of 10,236 employees, of which 2,206 were at the managerial level. Among the employees, 10,008 were employed by subsidiaries in Mainland China and 228 were employed by the head office and subsidiaries in Hong Kong. Total remuneration paid for the year was approximately HK\$2,294,138,000 (2020: approximately HK\$1,623,233,000).

Upholding a corporate culture with “Commitment, Performance and Teamwork” at the core, the Group actively promoted its brand slogan of “Corporation Thrives on Solid Efforts” in 2021, with an aim to encourage its staff to be committed and aggressive and strive for excellence. With a firm belief that people are the most important assets of an organisation, the Group has made great efforts to recruit professionals and experts with international visions urgently needed for its business development, and created a working environment that encourages anyone to engage themselves, work hard and perform better. Through cultivation of a committed workforce, optimisation of its operation and management and strengthening of its core competencies, the Group continuously enhances its competitiveness and market value.

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

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

# DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

## DIRECTORS

**Mr. HOU Wailin**, aged 59, was appointed the Chairman and an Executive Director of the Company on 5 June 2019. He retired at the annual general meeting of the Company held on 17 June 2019 ("2019 AGM") pursuant to the Articles of Association of the Company and was forthwith re-appointed the Chairman and an Executive Director of the Company at the Board meeting of the Company immediately held after the 2019 AGM. Mr. Hou graduated from Faculty of Finance of Hunan University, the People's Republic of China ("PRC") (major in Finance) and holds a Bachelor's degree in Economics. Mr. Hou has worked as director-general of Guangdong Regulatory Bureau of the China Securities Regulatory Commission ("CSRC") and the chief inspector of the General Inspection Taskforce of CSRC. He was the chairman of 廣東省粵科金融集團有限公司 (Guangdong Technology Financial Group Co., Ltd.▲) during the period from 2016 to April 2019. Mr. Hou was appointed the Chairman of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited▲) ("Guangdong Holdings") and GDH Limited ("GDH") in May 2019. He was the Chairman and a Non-Executive Director of Guangdong Land Holdings Limited ("GD Land") during the period from June 2019 to February 2020. Guangdong Holdings and GDH are the ultimate controlling shareholder and the immediate controlling shareholder of the Company, respectively. GD Land is a subsidiary of the Company and is listed in Hong Kong.

**Mr. LIN Tiejun**, aged 57, 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 44, was appointed an Executive Director and the Managing Director of the Company on 15 November 2012. Mr. Wen holds a Bachelor's degree in Economics from Jinan University, PRC, and a Master of Commerce degree in International Professional Accounting from the University of New South Wales, Australia. From 2003 to 2006, Mr. Wen worked in Guangdong Bureau and Listed Company Supervision Department of CSRC, supervising the merger, acquisition and restructuring activities of listed companies. Between 2006 and 2011, he worked for Dalian Commodity Exchange and held a number of positions including Director of the Surveillance Department. Mr. Wen joined the Company in November 2011 and acted as a Deputy General Manager of the Company from November 2011 till November 2012. He is also a director of Guangdong Water Holdings Limited, Teem Holdings Limited and 廣東粵海投資財務管理有限公司 (Guangdong Yuehai Investment Financial Management Limited▲), all of which are subsidiaries of the Company.

**Mr. TSANG Hon Nam**, aged 52, 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

**Ms. LIANG Yuanjuan**, aged 46, 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 the chairman of 廣東粵海投資財務管理有限公司 and a director of Teem Holdings Limited and Guangdong Properties Holdings Limited, all of which are subsidiaries of the Company.

**Mr. CAI Yong**, aged 56, 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 53, was appointed a Non-Executive Director of the Company on 12 January 2015. Mr. Lan graduated from Sun Yat-Sen University, PRC and obtained a Bachelor's degree in Philosophy. He also obtained a Master's degree in Business Management from South China University of Technology, PRC. From 1996 to 2008, he held a number of positions at the General Office of Communist Party of China ("CPC") Guangdong Provincial Committee. Between 2008 and 2014, he worked as the Director of Personnel Affairs (4th Division) of CPC Guangdong Provincial Committee's Organisation Department. Mr. Lan was appointed a Deputy General Manager of Guangdong Holdings and GDH in April 2014 and June 2019, respectively. He acted as an Executive Director of GDH from May 2014 to June 2019. Mr. Lan was appointed the Chairman and an Executive Director of GD Land in September 2021. He is also the Chairman of a subsidiary of GD Land.

**Mr. FENG Qingchun**, aged 45, was appointed a Non-Executive Director of the Company on 26 August 2020. Mr. Feng graduated from Hefei College of Economics and Technology, the 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. He was the Chairman of 粵海(上海)投資管理有限公司 (GDH (Shanghai) Investment Management Limited▲) ("GDH (Shanghai)") and 廣東粵海資本集團有限公司 (Guangdong GDH Capital Group Limited▲) ("GDH Capital Group") (formerly known as 粵海(廣州)投資有限公司). GDH (Shanghai) is a subsidiary of Guangdong Holdings and GDH Capital Group is a subsidiary of GDH. 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.

**Dr. CHAN Cho Chak, John**, *GBS, JP*, aged 78, was appointed an Independent Non-Executive Director of the Company on 25 June 1998.

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

## DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

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

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

Dr. Chan was also the Executive Director and General Manager of Sun Hung Kai Finance Company Limited from 1978 to 1980, the Managing Director of The Kowloon Motor Bus Company (1933) Limited from 1993 to 2006, the Managing Director of Transport International Holdings Limited from 1997 to April 2008 and the Chairman of The Hong Kong Jockey Club from 2006 to August 2010.

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

**Mr. FUNG Daniel Richard**, *SBS, QC, SC, JP*, aged 68, was appointed an Independent Non-Executive Director of the Company on 3 January 2000.

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

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

## DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

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

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

**Dr. the Honourable CHENG Mo Chi, Moses**, *GBM, GBS, OBE, JP*, aged 72, was appointed an Independent Non-Executive Director of the Company on 25 November 1999 and was re-designated as a Non-Executive Director of the Company on 13 October 2004. He was further re-designated as an Independent Non-Executive Director of the Company on 15 November 2012.

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

**Mr. WU Ting Yuk, Anthony**, *Standing Committee Member, Chinese People's Political Consultative Conference National Committee, GBS, JP*, aged 67, was appointed an Independent Non-Executive Director of the Company on 25 August 2012. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and an Honorary Fellow of the Hong Kong College of Community Medicine. He is a Council Member of the Hong Kong General Chamber of Commerce, a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development, a trustee of The Society for the Aid and Rehabilitation of Drug Abusers, a member of the State Council's Medical Reform Leadership Advisory Committee, PRC, a member of the Public Policy Advisory Committee and Advisor of National Health Commission, PRC, the Principal Advisor to the State Administration of Traditional Chinese Medicine, PRC, a member of the Chinese Medicine Reform and Development Advisory Committee, PRC, the Chairman of the China Oxford Scholarship Fund, an Honorary Professor of Faculty of Medicine of The Chinese University of Hong Kong and the Peking Union Medical College Hospital and the Honorary Chairman of the Institute of Certified Management Accountants, Australia (Hong Kong Branch). He also acts as the Chief Advisor to MUFG Bank, Ltd. Mr. Wu is the Chairman and a Non-Executive Director of Clarity Medical Group Holding Limited, a public listed company in Hong Kong. Mr. Wu is also an Independent Non-Executive Director of China Resources Medical Holdings Company Limited, China Taiping Insurance Holdings Company Limited, Power Assets Holdings Limited, CStone Pharmaceuticals, Venus Medtech (Hangzhou) Inc., Ocumension Therapeutics and Sing Tao News Corporation Limited, all being public listed companies in Hong Kong. Mr. Wu was formerly the Chairman of the Hong Kong General Chamber of Commerce, the Bauhinia Foundation Research Centre and the Hong Kong Hospital Authority, a member of the Task Force on Land Supply, the Chairman of China Resources Medical Holdings Company Limited, Deputy Chairman and Executive Director of Sincere Watch (Hong Kong) Limited and an Independent Non-Executive Director of Fidelity Funds.

## DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

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

**Mr. Li Man Bun, Brian David**, *JP, MA (Cantab), MBA, FCA*, aged 47, was appointed an Independent Non-Executive Director of the Company on 27 March 2021. He holds an MBA degree from Stanford University and a BA degree from the University of Cambridge. Mr. Li is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He is also a Member of the Hong Kong Academy of Finance 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 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 BEA Group with a particular focus on its China and international businesses.

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

Mr. Li currently holds a number of public and honorary positions, including being a Member of the National Committee of the Chinese People's Political Consultative Conference, a Member of the Chief Executive's Council of Advisers on Innovation & Strategic Development of the Government of the Hong Kong Special Administrative Region, a Council Member of the Hong Kong Trade Development Council, a Director of the Financial Services Development Council and a Vice Chairman of the Asian Financial Cooperation Association.

### SENIOR MANAGEMENT

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



# DIRECTORS' REPORT

The directors (the "Directors") of Guangdong Investment Limited (the "Company") herein present their report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2021.

## 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 2021 and the Group's financial position as at that date are set out in the financial statements on pages 67 to 70.

An interim dividend of HK 18.17 cents (2020: HK 17.64 cents) per ordinary share was paid on 28 October 2021. The board of Directors (the "Board") has resolved to recommend the payment of a final dividend of HK 42.54 cents (2020: HK 41.30 cents) per ordinary share for the year ended 31 December 2021.

The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Thursday, 23 June 2022 (the "2022 AGM"), is expected to be paid on or about Thursday, 28 July 2022 to shareholders whose names appear on the register of members of the Company on Wednesday, 29 June 2022.

In order to qualify for attending and voting at the 2022 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 17 June 2022.

The register of members of the Company will be closed on Wednesday, 29 June 2022 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 Tuesday, 28 June 2022.

## 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 31 of this Annual Report. The financial risk management objectives and policies of the Group are shown in note 46 to the financial statements on pages 214 to 218 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 61 of this Annual Report. The Company's key relationships with its employees, customers and suppliers and business associates that have a significant impact on the Company and on which the Company's success depends are shown in the Management Discussion and Analysis under "Employee and Remuneration Policy" section on page 31, and in the Corporate Governance Report on pages 48 to 61 of this Annual Report. The above discussion and analysis forms part of this Directors' Report.

# DIRECTORS' REPORT

## SUMMARY OF FINANCIAL INFORMATION

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

### Results

	2021 HK\$'000	Year ended 31 December			
		2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>REVENUE</b>	<b>29,715,492</b>	23,173,322	16,691,209	13,363,600	12,168,839
<b>PROFIT FROM OPERATING ACTIVITIES AFTER FINANCE COSTS</b>	<b>8,496,354</b>	7,984,997	7,268,493	6,758,049	7,519,212
Share of profits less losses of associates	(39,510)	216,250	212,930	136,597	101,553
<b>PROFIT BEFORE TAX</b>	<b>8,456,844</b>	8,201,247	7,481,423	6,894,646	7,620,765
<b>INCOME TAX EXPENSE</b>	<b>(2,969,258)</b>	(2,562,882)	(1,835,040)	(1,393,558)	(1,617,111)
<b>PROFIT BEFORE NON-CONTROLLING INTERESTS</b>	<b>5,487,586</b>	5,638,365	5,646,383	5,501,088	6,003,654
Non-controlling interests	(790,624)	(1,128,421)	(602,013)	(485,969)	(318,283)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>4,696,962</b>	4,509,944	5,044,370	5,015,119	5,685,371

### Assets, liabilities and non-controlling interests

	2021 HK\$'000	As at 31 December			
		2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>8,125,506</b>	7,683,847	6,848,039	7,017,886	7,484,561
<b>INVESTMENT PROPERTIES</b>	<b>23,807,224</b>	21,295,440	18,177,573	16,949,174	16,037,772
<b>PREPAID LAND LEASE PAYMENTS</b>	<b>—</b>	—	—	306,824	275,582
<b>RIGHT-OF-USE ASSETS</b>	<b>798,966</b>	604,667	586,680	—	—
<b>GOODWILL</b>	<b>804,957</b>	594,086	574,242	301,883	303,605
<b>INVESTMENTS IN ASSOCIATES</b>	<b>4,390,628</b>	4,457,613	4,136,983	3,676,701	3,679,684
<b>OPERATING CONCESSION RIGHTS</b>	<b>21,787,134</b>	15,060,664	13,889,229	13,047,462	14,113,313
<b>RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS</b>	<b>15,388,206</b>	9,547,519	4,564,949	1,464,719	934,765
<b>RECEIVABLES UNDER A COOPERATIVE ARRANGEMENT</b>	<b>2,346,599</b>	1,899,957	1,151,590	414,701	—
<b>PROPERTIES HELD FOR SALE UNDER DEVELOPMENT</b>	<b>33,852,306</b>	6,213,674	6,624,204	5,831,502	5,748,595
<b>COMPLETED PROPERTIES HELD FOR SALE</b>	<b>987,625</b>	4,258,089	3,980,357	5,053,081	417,595
<b>OTHER ASSETS</b>	<b>16,517,505</b>	17,300,652	15,504,700	18,866,492	17,384,809
<b>DEFERRED TAX ASSETS</b>	<b>1,224,167</b>	684,334	385,948	252,019	158,733
<b>TOTAL ASSETS</b>	<b>130,030,823</b>	89,600,542	76,424,494	73,182,444	66,539,014
<b>OTHER LOANS AND LIABILITIES</b>	<b>(61,695,616)</b>	(27,678,727)	(19,547,782)	(17,449,731)	(12,526,900)
<b>DEFERRED TAX LIABILITIES</b>	<b>(6,430,330)</b>	(5,965,854)	(6,183,719)	(6,272,264)	(4,848,546)
<b>TOTAL LIABILITIES</b>	<b>(68,125,946)</b>	(33,644,581)	(25,731,501)	(23,721,995)	(17,375,446)
<b>NON-CONTROLLING INTERESTS</b>	<b>(15,694,179)</b>	(11,728,163)	(9,536,626)	(9,088,194)	(8,949,109)
<b>TOTAL EQUITY</b>	<b>61,904,877</b>	55,955,961	50,692,993	49,460,449	49,163,568

# DIRECTORS' REPORT

## MAJOR PROPERTIES

Details of the major properties held by the Group as at 31 December 2021 are set out on pages 221 to 224 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 2021, calculated under the provisions of sections 291, 297 and 299 of the Hong Kong Companies Ordinance, amounted to HK\$6,851,192,000 (2020: HK\$5,252,585,000).

## DONATIONS

The donations made by the Group during the year amounted to HK\$12,286,000 (2020: HK\$23,661,000).

## ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

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

## DIRECTORS

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

### *Executive Directors*

Hou Wailin (*Chairman*)

Lin Tiejun (*Vice Chairman*)

Wen Yinheng (*Managing Director*)

Tsang Hon Nam (*Deputy General Manager\**)

Liang Yuanjuan (*Chief Financial Officer*) (appointed on 27 March 2021)

### *Non-Executive Directors*

Cai Yong

Lan Runing

Feng Qingchun

### *Independent Non-Executive Directors*

Chan Cho Chak, John

Fung Daniel Richard

Cheng Mo Chi, Moses

Wu Ting Yuk, Anthony

Li Man Bun, Brian David (appointed on 27 March 2021)

Li Kwok Po, David (resigned on 27 March 2021)

\* *Mr. Tsang Hon Nam was redesignated as Executive Director and Deputy General Manager of the Company on 27 March 2021.*

In accordance with Articles 77 to 79 of the Company's Articles of Association, Mr. Lin Tiejun, Mr. Tsang Hon Nam, Mr. Cai Yong and Mr. Wu Ting Yuk, Anthony will retire by rotation at the 2022 AGM and shall be eligible for re-election.

# DIRECTORS' REPORT

## DIRECTORS (continued)

Mr. Lin Tiejun, Mr. Tsang Hon Nam and Mr. Cai Yong, 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 2025, and (ii) 30 June 2025, subject to earlier determination in accordance with the Articles of Association of the Company and/or any applicable laws and regulations.

As Mr. Wu Ting Yuk, Anthony will focus on other matters, he will not offer himself for re-election and will retire from office after the conclusion of the 2022 AGM.

Dr. Li Kwok Po, David resigned as an Independent Non-Executive Director of the Company on 27 March 2021 in order to devote more time to his other business commitments.

## 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 2021 and up to the date of this report is kept at the Company's registered office and is available for inspection by the members of the Company free of charge during business hours.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2022 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Mr. Hou Wailin and Mr. Cai Yong are directors of 廣東粵海控股集團有限公司 (Guangdong Holdings Limited▲) ("Guangdong Holdings", being the Company's ultimate holding company) and GDH Limited ("GDH", being the Company's immediate holding company). They are deemed to be interested in the connected transactions or continuing connected transactions described in the section headed "Connected Transactions" in note 41 to the financial statements, as the case may be.

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

## PERMITTED INDEMNITY PROVISION

Indemnity provision within the meaning of permitted indemnity provision under the Hong Kong Companies Ordinance for the benefit of the Directors of the Company is currently in force and was in force throughout the year ended 31 December 2021. 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' REPORT

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

### 1. Core Business Activities of the Group

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

### 2. Interests in Competing Businesses

Name of Director	Name of Company	Nature of Interests	Competing Business
Hou Wailin	Guangdong Holdings	Chairman	(1), (2) & (4)
	GDH	Chairman	(1), (2) & (4)
Cai Yong	Guangdong Holdings	Director & General Manager	(1), (2) & (4)
	GDH	Director & General Manager	(1), (2) & (4)

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

## MANAGEMENT CONTRACTS

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

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

### Interests and short positions in the Company

#### Interests in ordinary shares

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Long/Short position	Approximate percentage of interests held (Note)
Chan Cho Chak, John	Personal	5,450,000	Long position	0.083%
Cheng Mo Chi, Moses	Personal	2,268,000	Long position	0.035%

Note: The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary shares of the Company in issue as at 31 December 2021.

### 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 2021.

### 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 2021.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES (continued)

Save as disclosed above, as at 31 December 2021, 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 2021, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

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

Notes:

1. The approximate percentage of interests held was calculated on the basis of 6,537,821,440 ordinary shares of the Company in issue as at 31 December 2021.
2. The attributable interest which Guangdong Holdings has in the Company is held through its 100% direct interest in GDH.
3. The interests of GDH set out above include attributable interest held through its wholly-owned subsidiary, Guangdong Trust Ltd.

Save as disclosed above, as at 31 December 2021, 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.

# DIRECTORS' REPORT

## SIGNIFICANT CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in notes 40 and 41 to the financial statements, the Group and the controlling shareholders of the Company had not entered into any contract of significance during the year.

## CONNECTED TRANSACTIONS

Details of the connected transactions and continuing connected transactions that are not exempt from annual reporting requirement in Chapter 14A of the Listing Rules are disclosed in note 41 to the financial statements.

## RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under note 40 to the financial statements. The transactions described in note 40(a) (marked with\*), 40(b), 40(c) (iii) to (viii) and 40(d) (notes (iv) and (v)) to the financial statements constitute connected transactions or continuing connected transactions discloseable under the Listing Rules, the details of which are disclosed in note 41 to the financial statements. In respect of these transactions, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. The transactions described in notes 40(a) (marked with #) and 40(c)(i) and (ii) to the financial statements constitute fully exempt connected transactions or continuing connected transactions under 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 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for 28% of the total revenue for the year and sales to the Group's largest customer included therein amounted to 16%. Purchases from the Group's five largest suppliers accounted for 19% of the total purchases for the year and purchases from the Group's largest supplier included therein amounted to 6%.

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.

# DIRECTORS' REPORT

## 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 36 months in the principal amount of HK\$3,000 million made available by the bank to the Company, among others, it shall be an event of default if:

- (i) GDH ceases to beneficially own, directly and/or indirectly, at least 51% of the shareholding in the Company.
- (ii) GDH ceases to be ultimately controlled and/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 2021 amounted to HK\$3,000 million.

### Facility Agreement dated 22 July 2021

Pursuant to a facility agreement (the "GDI July 2021 Facility Agreement") entered into between the Company and a bank on 22 July 2021 in relation to a term loan facility (the "GDI July 2021 Facility") for 364 days in the principal amount of HK\$3,000 million made available by the bank to the Company, among others, it shall be an event of default if:

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

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

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

The outstanding principal of the GDI July 2021 Facility as at 31 December 2021 amounted to HK\$3,000 million.



# DIRECTORS' REPORT

## DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES (continued)

### Facility Agreement dated 11 March 2022

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

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

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

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

### Facility Agreement dated 17 March 2022

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

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

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

## CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information are set out below:

- (i) Mr. Wen Yinheng ceased to be a director of Guangdong (International) Hotel Management Holdings Limited, a subsidiary of the Company, with effect from 28 March 2022.
- (ii) Mr. Tsang Hon Nam ceased to be a director of 廣東粵海投資財務管理有限公司 (Guangdong Yuehai Investment Financial Management Limited▲) ("Yuehai Investment Financial Management") and Guangdong (International) Hotel Management Holdings Limited, subsidiaries of the Company, with effect from 23 February 2022 and 28 March 2022, respectively.
- (iii) Ms. Liang Yuanjuan ceased to be a director of 廣東粵海資產經營有限公司 (Guangdong Yuehai Asset Management Limited▲), a subsidiary of Guangdong Holdings, with effect from 10 December 2021.

Ms. Liang was appointed a director of Guangdong Properties Holdings Limited and Teem Holdings Limited and the chairman of Yuehai Investment Financial Management with effect from 6 December 2021, 30 December 2021 and 23 February 2022, respectively. All of the above companies are subsidiaries of the Company.

# DIRECTORS' REPORT

## CHANGES IN DIRECTORS' INFORMATION (continued)

- (iv) Mr. Lan Runing was appointed the Chairman and an Executive Director of GD Land with effect from 15 September 2021. He was also appointed the Chairman of 廣東粵海置地集團有限公司 (Guangdong Yuehai Land Holdings Limited▲), a subsidiary of GD Land, with effect from 1 December 2021.
- (v) Mr. Feng Qingchun ceased to be the Chairman of 粵海(上海)投資管理有限公司 (GDH (Shanghai) Investment Management Limited▲) ("GDH Shanghai") and 廣東粵海資本集團有限公司 (Guangdong GDH Capital Group Limited▲) ("GDH Capital Group") with effect from 24 May 2021 and 15 June 2021, respectively. GDH Shanghai is a subsidiary of Guangdong Holdings whereas GDH Capital Group is a subsidiary of GDH.
- (vi) Dr. Cheng Mo Chi, Moses retired as the Chairman of the Insurance Authority on 28 December 2021.
- (vii) Mr. Wu Ting Yuk, Anthony ceased to be the Chairman of China Resources Medical Holdings Company Limited with effect from 23 April 2021. He was appointed an Independent Non-Executive Director of Sing Tao News Corporation Limited with effect from 3 June 2021. Mr. Wu is the Chairman and a Non-Executive Director of Clarity Medical Group Holding Limited, which was listed on the Hong Kong Stock Exchange on 18 February 2022.
- (viii) Mr. Li Man Bun, Brian David ceased to be a Member of Aviation Development and Three-runway System Advisory Committee with effect from 1 August 2021.

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

## AUDITOR

The consolidated financial statements now presented have been audited by Ernst & Young, Certified Public Accountants, who will retire as the auditor of the Company with effect from the conclusion of the 2022 AGM.

The Board resolved, with the recommendation from the Audit Committee of the Company, to propose the appointment of KPMG as the new independent auditor of the Company following the retirement of Ernst & Young, to hold office until the conclusion of the next annual general meeting of the Company. Such a proposed appointment is subject to the approval of the shareholders of the Company at the 2022 AGM.

By Order of the Board

**HOU Wailin**

*Chairman*

Hong Kong, 30 March 2022

# CORPORATE GOVERNANCE REPORT

## BUSINESS MODEL AND DEVELOPMENT STRATEGIES

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

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

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

## CORPORATE GOVERNANCE CODE

The Group recognizes the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group has applied the principles of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

In the opinion of the directors of the Company (the “Directors”), the Company had complied with the code provisions set out in the CG Code for the year ended 31 December 2021 and, where appropriate, the applicable recommended best practices of the CG Code, save as disclosed below:

Due to travel restrictions as a result of the COVID-19 Pandemic (the “Pandemic”), the Chairman of the board of Directors (the “Board”) and the chairman of the Nomination Committee was unable to attend the annual general meeting of the Company held on 22 June 2021 (the “2021 Annual General Meeting”) as required by Code Provision F.2.2. Nevertheless, with the consent of the other Directors present, Mr. Lin Tiejun, Vice-Chairman and an Executive Director of the Company chaired the 2021 Annual General Meeting.

## DIRECTORS’ SECURITIES TRANSACTIONS

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

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

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

### Board Composition

As at the date of this report, the Board comprises five Executive Directors, being Mr. Hou Wailin, Mr. Lin Tiejun, Mr. Wen Yinheng, Mr. Tsang Hon Nam and Ms. Liang Yuanjuan, three Non-Executive Directors, being Mr. Cai Yong, Mr. Lan Runing and Mr. Feng Qingchun, and five Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses, Mr. Wu Ting Yuk, Anthony and Mr. Li Man Bun, Brian David. At the Board Meeting of the Company held on 26 March 2021 (the "Board Meeting"), the Board accepted the resignation of Dr. Li Kwok Po, David ("Dr. Li"), who tendered his resignation in order to devote more time to his other business commitments. At the Board Meeting, the Board also approved the appointment of Ms. Liang Yuanjuan as an Executive Director and Mr. Li Man Bun, Brian David ("Mr. Li") as an Independent Non-Executive Director. All of the aforementioned changes in Board composition have been taken effect from 27 March 2021.

Since Dr. Li had resigned as Director of the Company with effect from 27 March 2021, he ceased to be a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on the same day. As approved at the Board Meeting, Mr. Li has acted as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 27 March 2021.

Mr. Li is a son of Dr. Li, the resigning Independent Non-Executive Director of the Company. Notwithstanding the family relationship between Dr. Li and Mr. Li, for the reasons mentioned below, the Company considers Mr. Li to be independent:

- (a) Mr. Li does not have any material interest in the principal business activities of the Group and is not engaged in any material business dealings with the Group;
- (b) Although Dr. Li and Mr. Li are the Executive Chairman and Co-Chief Executive of The Bank of East Asia, Limited ("BEA") respectively, as an independent third party, BEA does not have any relationship with the Company other than general banking relationship conducted in their respective ordinary course of business and on an arm's length basis. Moreover, Mr. Li only accepts appointment as an Independent Non-Executive Director of the Company in his personal capacity and does not represent the interest of any other third party, including BEA;
- (c) Dr. Li resigned as an Independent Non-Executive Director of the Company and the mere fact that Mr. Li is a son of Dr. Li should not have any adverse implications on Mr. Li's independence; and
- (d) Except for the family relationship with Dr. Li who himself was able to satisfy all the independence criteria under Rule 3.13 of the Listing Rules ("Rule 3.13"), Mr. Li is not connected with any director or substantial shareholder of the Company within two years immediately prior to the date of his appointment as an Independent Non-Executive Director of the Company and has met all the other independence guidelines set out in Rule 3.13.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (continued)

### Board Composition (continued)

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

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

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

Although less than half of our Board members are Independent Non-Executive Directors, five out of our existing thirteen Directors are independent, representing over 38% 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

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

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

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

### Appointment and Re-election of Directors

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



# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (continued)

### Appointment and Re-election of Directors (continued)

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

### Independence of Independent Non-Executive Directors

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

Although certain Independent Non-Executive Directors 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.

Dr. Chan Cho Chak, John, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses and Mr. Wu Ting Yuk, Anthony 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, Dr. Cheng and Mr. Wu remain independent, notwithstanding the length of their tenure.

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

### Contributions of Independent Non-Executive Directors

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

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

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (continued)

### Contributions of Independent Non-Executive Directors (continued)

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

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

### Relationship amongst Directors

The 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 thirteen directors. Five of them are Independent Non-Executive Directors drawn from a diverse background, spanning business management, investment management, public administration, financial services, legal, compliance and accounting, thereby ensuring critical review and control of the management process. The Board has maintained a balanced composition in terms of gender, age, professional experience, skills and knowledge. It has performed effectively by providing sound judgment on strategic issues and effective oversight of and guidance to management. The biographies of the Directors as at the date of this report set out in pages 32 to 36 to this Annual Report demonstrate a diversity of skills, expertise, experience and qualifications.

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

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, seven Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "Board and Committees Meetings" of this report.

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

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

## DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

The Directors are briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong ordinances and corporate governance practices so that they can continuously update and further improve their relevant knowledge and skills. Some Directors attended seminars and conferences organized by government authorities, professional bodies and industrial organizations in relation to corporate governance, updates on laws, rules and regulations, accounting, financial, management or other professional skills. The Company organized Directors' training on 30 August 2021 for the Directors on "Introduction to Cases of Bribery in Hong Kong and the Search Procedures of the ICAC". Reading 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 2021.

Name of Director	In-house Directors' training	Seminars, Conferences, Webcasts and Reading Materials
Hou Wailin	✓	✓
Lin Tiejun	✓	✓
Wen Yinheng	✓	✓
Tsang Hon Nam	✓	✓
Liang Yuanjuan (appointed on 27 March 2021)	✓	✓
Cai Yong	✓	✓
Lan Runing	✓	✓
Feng Qingchun	✓	✓
Chan Cho Chak, John	✓	✓
Fung Daniel Richard	✓	✓
Cheng Mo Chi, Moses	✓	✓
Wu Ting Yuk, Anthony	✓	✓
Li Man Bun, Brian David (appointed on 27 March 2021)	✓	✓
Li Kwok Po, David (resigned on 27 March 2021)	–	✓

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 five Independent Non-Executive Directors, being Dr. Chan Cho Chak, John, Mr. Fung Daniel Richard, Dr. Cheng Mo Chi, Moses, Mr. Wu Ting Yuk, Anthony 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 2021 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 financial year ended 31 December 2021, the Remuneration Committee had held one meeting and had passed one written resolution to approve the remuneration packages of two newly appointed Directors and 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 2021 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.

### Nomination Committee

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

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

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

The meeting of the Nomination Committee shall be held at least once a year and when necessary. During the financial year ended 31 December 2021, the Nomination Committee held one meeting to evaluate the structure, size and composition of the Board, to review the implementation of the Company’s Board Diversity Policy, to assess the independence of the Independent Non-Executive Directors and to make recommendations to the Board on the re-election and appointment of Directors.

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

### Audit Committee

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



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES (continued)

### Audit Committee (continued)

The meetings of the Audit Committee shall be held at least twice a year or as and when necessary. During the financial year ended 31 December 2021, the Audit Committee had held four meetings to review, among other matters, the 2020 annual results, the 2021 quarterly and interim results of the Group before their submission to the Board as well as to monitor the integrity of such financial statements/financial information. The Audit Committee oversees matters concerning the external auditor including making recommendations to the Board regarding the appointment of the external auditor, reviewing the nature and scope of their audit work and approving their fees. In addition to the four meetings as aforesaid, the Audit Committee also had a private meeting with the external auditor to discuss any area of concern. The Audit Committee further ensures that the management has put in place effective risk management and internal control systems and maintains an overview of the Group's risk assessment, control and management processes. It reviews the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and their training programmes and budget. In addition, it reviews the Group's internal audit reports and monitors the effectiveness of the internal audit function.

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

## BOARD AND COMMITTEE MEETINGS

The individual attendance records of each Director at the meetings of the Board, Remuneration Committee, Nomination Committee, Audit Committee and general meetings during the year ended 31 December 2021 are set out below:

Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	Annual General Meeting
<b>Executive Directors</b>					
Hou Wailin (Note)	6/7	–	1/1	–	0/1
Lin Tiejun	7/7	–	–	–	1/1
Wen Yinheng (Note)	5/7	–	–	–	0/1
Tsang Hon Nam	7/7	–	–	–	1/1
Liang Yuanjuan (appointed on 27 March 2021)	5/5	–	–	–	1/1
<b>Non-Executive Directors</b>					
Cai Yong (Note)	6/7	–	–	–	0/1
Lan Runing (Note)	6/7	–	–	–	0/1
Feng Qingchun (Note)	7/7	–	–	–	0/1
<b>Independent Non-Executive Directors</b>					
Chan Cho Chak, John	7/7	1/1	1/1	4/4	1/1
Fung Daniel Richard	6/7	1/1	1/1	4/4	1/1
Cheng Mo Chi, Moses	7/7	1/1	1/1	4/4	1/1
Wu Ting Yuk, Anthony	7/7	1/1	1/1	4/4	1/1
Li Man Bun, Brian David (appointed on 27 March 2021)	5/5	0/0	0/0	3/3	1/1
Li Kwok Po, David (resigned on 27 March 2021)	2/2	1/1	1/1	1/1	0/0

Note: Due to travel restrictions as a result of the COVID-19 Pandemic, Mr. Hou Wailin, Mr. Wen Yinheng, Mr. Cai Yong, Mr. Lan Runing and Mr. Feng Qingchun were unable to attend the 2021 Annual General Meeting.

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

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

The Directors have acknowledged their responsibility in the preparation of all information and representations contained in the financial statements of the Company for the year ended 31 December 2021, 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 2021, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on a going concern basis.

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

### Auditor's Remuneration

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

Services rendered	Fee paid/payable HK\$'000
Audit of financial statements	11,480
Review of interim results	2,540
Agreed-upon procedures on quarterly results	1,470
Environmental, social and governance reporting consultancy services	1,063
Total	<u>16,553</u>

### Risk Management and Internal Control

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

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

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT (continued)

### Risk Management and Internal Control (continued)

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 and compliance review. The opinion, as formulated by the function on the effectiveness of the risk management and internal control systems, together with the findings and implementation progress of the audit recommendations, would be reported to the Audit Committee. During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit functions, and their training programmes and budgets.

### Review of Risk Management and Internal Control Systems

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

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

### Policy on Inside Information

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

## COMPANY SECRETARY

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

Ms. Yang Na was appointed the Company Secretary of the Company on 28 March 2020. She is a full-time employee and is also the General Counsel of the Company. She has day-to-day knowledge of the Company's affairs, in particular, legal and compliance 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.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

### Shareholders convening an extraordinary general meeting

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

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

### Shareholders' Enquiries and Proposals

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

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

## INVESTOR RELATIONS

### Communication with Shareholders

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

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

### Constitutional Documents

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

# CORPORATE GOVERNANCE REPORT

## DIVIDEND POLICY

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

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

## ENVIRONMENTAL POLICIES AND PERFORMANCE

Environmental protection is one of the Group's key focuses in fulfilling its corporate social responsibilities. The Government of the People's Republic of China requires that all applicable businesses comply with relevant environmental laws and regulations. As the majority of its operations are in Mainland China, the Group strictly complies with the applicable laws and regulations. The Group has relevant environmental policies in place for each business segment. 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 transitional risks in relation to its climate-prone operations.

To the extent necessary for an understanding of the development, performance or position of the Group's business, management is not aware of any non-compliance with relevant laws and regulations that may have a significant impact on the Company during the year ended 31 December 2021 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 2021 environmental, social and governance report to be issued separately.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

An Environmental, Social and Governance Committee ("ESG Committee") has been formed in 2018. Chaired by the Managing Director, the ESG committee comprises an Executive Director, 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 good track towards its sustainable business development. Moreover, the ESG committee meets at least once a year to review and evaluate the Company's ESG policies and performances.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

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

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



# 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 2021, 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 has reviewed and updated the results of the materiality assessment of 2020 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 2021 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

**HOU Wailin**

*Chairman*

Hong Kong, 30 March 2022

# INDEPENDENT AUDITOR'S REPORT



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Quarry Bay, Hong Kong

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## To the members of Guangdong Investment Limited

(Incorporated in Hong Kong with limited liability)

### Opinion

We have audited the consolidated financial statements of Guangdong Investment Limited (the "Company") and its subsidiaries (the "Group") set out on pages 67 to 220, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### Basis for opinion

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

### Key audit matters

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

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

# INDEPENDENT AUDITOR'S REPORT



## Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Valuation of investment properties at fair values</i></b></p> <p>At 31 December 2021, the aggregate carrying amounts of completed investment properties and investment properties under development of the Group measured at fair values amounted to approximately HK\$16,754 million and approximately HK\$7,053 million, respectively, with an aggregated fair value gain of approximately HK\$641 million recognised in the consolidated statement of profit or loss for the year ended 31 December 2021. Significant management estimations are involved to determine the fair values. The Group engaged independent external valuers to perform valuations of completed investment properties and investment properties under development of the Group to support management's determination of the fair values.</p> <p>Relevant disclosures are included in notes 3 and 14 to the consolidated financial statements.</p>	<p>Our audit procedures included, among others, (i) evaluating the independent external valuers' competence, capabilities and objectivity; (ii) involving our internal valuation specialists to assist us to evaluate the valuation methodologies, key assumptions and parameters applied in the valuations by benchmarking market comparables and normal market practice; and (iii) checking property-related data, on a sample basis, used as inputs in the valuations by agreeing to the underlying documentation.</p>
<p><b><i>Assessment of net realisable values of completed properties held for sale and properties held for sale under development</i></b></p> <p>At 31 December 2021, the carrying amounts of completed properties held for sale and properties held for sale under development amounted to HK\$34,840 million in aggregate.</p> <p>These properties are stated at the lower of the costs and net realisable values. Significant management estimations are involved in determining the net realisable values of properties including estimating expected selling prices and construction costs to completion.</p> <p>Relevant disclosures are included in notes 3 and 21 to the consolidated financial statements.</p>	<p>Our audit procedures included, among others, evaluating the basis of net realisable values estimated by management (i) by comparing the expected selling prices estimated by management to contracted selling prices or current market transaction prices of properties in comparable locations and conditions, where applicable; and (ii) benchmarking estimated costs to completion, on a sample basis, to committed contracts amount and the existing development status of the properties.</p>

# INDEPENDENT AUDITOR'S REPORT



## Other information included in the annual report

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

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

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

## Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 HKSAAs, 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 CHENG Man.

### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

30 March 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	5	29,715,492	23,173,322
Cost of sales		<u>(18,077,696)</u>	<u>(13,789,293)</u>
Gross profit		11,637,796	9,384,029
Other income and gains, net	5	488,932	661,559
Changes in fair value of investment properties		640,627	757,279
Selling and distribution expenses		(1,018,557)	(520,003)
Administrative expenses		(2,647,394)	(1,980,661)
Exchange differences, net		(85,445)	(88,269)
Other operating income, net		24,113	62,933
Finance costs	7	(543,718)	(291,870)
Share of profits less losses of associates		<u>(39,510)</u>	<u>216,250</u>
PROFIT BEFORE TAX	6	8,456,844	8,201,247
Income tax expense	10	<u>(2,969,258)</u>	<u>(2,562,882)</u>
PROFIT FOR THE YEAR		<u>5,487,586</u>	<u>5,638,365</u>
Attributable to:			
Owners of the Company		4,696,962	4,509,944
Non-controlling interests		<u>790,624</u>	<u>1,128,421</u>
		<u>5,487,586</u>	<u>5,638,365</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted		<u>HK71.84 cents</u>	<u>HK68.98 cents</u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
PROFIT FOR THE YEAR	<u>5,487,586</u>	<u>5,638,365</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations		
– Subsidiaries	1,549,549	2,835,452
– Associates	<u>170,891</u>	<u>269,017</u>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>1,720,440</u>	<u>3,104,469</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	(2,853)	136
Fair value gains of property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	569	38,685
Share of remeasurement gain/(loss) on defined benefit plans, net of tax		
– Subsidiaries	(5,705)	–
– An associate	<u>(11,718)</u>	<u>729</u>
	<u>(19,707)</u>	<u>39,550</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>1,700,733</u>	<u>3,144,019</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>7,188,319</u></u>	<u><u>8,782,384</u></u>
Attributable to:		
Owners of the Company	5,941,055	6,934,528
Non-controlling interests	<u>1,247,264</u>	<u>1,847,856</u>
	<u><u>7,188,319</u></u>	<u><u>8,782,384</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	8,125,506	7,683,847
Investment properties	14	23,807,224	21,295,440
Right-of-use assets	15(a)	798,966	604,667
Goodwill	16	804,957	594,086
Other intangible assets	17	34,461	30,025
Investments in associates	18	4,390,628	4,457,613
Operating concession rights	19(a)	21,787,134	15,060,664
Receivables under service concession arrangements	19(b)	14,902,721	9,391,825
Receivables under a cooperative arrangement	20	2,346,599	1,899,957
Equity investments designated at fair value through other comprehensive income	22	30,568	15,031
Prepayments and other receivables	24	613,588	533,271
Deferred tax assets	30	1,224,167	684,334
Total non-current assets		<b>78,866,519</b>	62,250,760
<b>CURRENT ASSETS</b>			
Properties held for sale under development	21	33,852,306	6,213,674
Completed properties held for sale	21	987,625	4,258,089
Tax recoverable		104,637	7,695
Inventories	23	309,215	223,280
Receivables under service concession arrangements	19(b)	485,485	155,694
Receivables, prepayments and other receivables	24	4,510,793	5,190,380
Due from non-controlling equity holders of subsidiaries	27	849,731	816,232
Restricted bank balances	25	469,412	117,254
Cash and cash equivalents	25	9,595,100	10,367,484
Total current assets		<b>51,164,304</b>	27,349,782

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Total current assets		<b>51,164,304</b>	27,349,782
<b>CURRENT LIABILITIES</b>			
Payables, accruals and other liabilities	26(a)	<b>(21,783,591)</b>	(6,881,504)
Contract liabilities	26(b)	<b>(3,658,674)</b>	(3,381,512)
Tax payables		<b>(3,704,614)</b>	(2,577,480)
Due to non-controlling equity holders of subsidiaries	27	<b>(1,080,315)</b>	(1,180,059)
Bank and other borrowings	28	<b>(6,928,489)</b>	(5,690,306)
Lease liabilities	15(b)	<b>(89,116)</b>	(56,073)
Total current liabilities		<b>(37,244,799)</b>	(19,766,934)
NET CURRENT ASSETS		<b>13,919,505</b>	7,582,848
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>92,786,024</b>	69,833,608
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings	28	<b>(21,812,864)</b>	(5,511,539)
Lease liabilities	15(b)	<b>(937,322)</b>	(473,140)
Due to non-controlling equity holders of subsidiaries	27	<b>(115,732)</b>	–
Other liabilities and contract liabilities	29	<b>(1,584,899)</b>	(1,927,114)
Deferred tax liabilities	30	<b>(6,430,330)</b>	(5,965,854)
Total non-current liabilities		<b>(30,881,147)</b>	(13,877,647)
Net assets		<b>61,904,877</b>	55,955,961
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	31	<b>8,966,177</b>	8,966,177
Reserves	32	<b>37,244,521</b>	35,261,621
Non-controlling interests		<b>46,210,698</b>	44,227,798
		<b>15,694,179</b>	11,728,163
Total equity		<b>61,904,877</b>	55,955,961

**Hou Wailin**  
Director

**Liang Yuanjuan**  
Director



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

Attributable to owners of the Company												
Notes	Share capital HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve HK\$'000 (note 32(ii))	Expansion fund reserve HK\$'000 (note 32(i))	Exchange fluctuation reserve HK\$'000	Other reserve HK\$'000	Fair value reserve HK\$'000	Defined benefit plan reserve HK\$'000 (note 32(iii))	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2020	8,966,177	413,061	1,765,933	3,243,573	(1,318,889)	(142,891)	3,944	(7,229)	28,232,688	41,156,367	9,536,626	50,692,993
Profit for the year	-	-	-	-	-	-	-	-	4,509,944	4,509,944	1,128,421	5,638,365
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations												
– Subsidiaries	-	-	-	-	2,122,738	-	-	-	-	2,122,738	712,714	2,835,452
– Associates	-	-	-	-	269,017	-	-	-	-	269,017	-	269,017
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	136	-	-	136	-	136
Fair value gains on property, plant and equipment and right-of-use assets upon transfer to investment properties, net of tax	-	31,964	-	-	-	-	-	-	-	31,964	6,721	38,685
Share of an associate's remeasurement gain on defined benefit plan, net of tax	-	-	-	-	-	-	-	729	-	729	-	729
Total comprehensive income for the year	-	31,964	-	-	2,391,755	-	136	729	4,509,944	6,934,528	1,847,856	8,782,384
Put option on non-controlling interest in a subsidiary	26	-	-	-	-	(62,007)	-	-	-	(62,007)	(9,205)	(71,212)
Disposal of subsidiaries	36	-	-	-	-	-	-	-	-	-	(9,045)	(9,045)
Business combinations through acquisition of subsidiaries	34	-	-	-	-	-	-	-	-	-	297,737	297,737
Capital injection from non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	424,136	424,136
Dividends paid and payable to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(359,942)	(359,942)
Transfer from retained profits	-	-	-	368,396	-	-	-	-	(368,396)	-	-	-
Final 2019 dividend paid	-	-	-	-	-	-	-	-	(2,647,818)	(2,647,818)	-	(2,647,818)
Interim 2020 dividend paid	11	-	-	-	-	-	-	-	(1,153,272)	(1,153,272)	-	(1,153,272)
At 31 December 2020	8,966,177	445,025	1,765,933	3,611,969	1,072,866	(204,898)	4,080	(6,500)	28,573,146	44,227,798	11,728,163	55,955,961

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

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

\* These reserve accounts comprise the consolidated reserves of HK\$37,244,521,000 (2020: HK\$35,261,621,000) in the consolidated statement of financial position as at 31 December 2021.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>8,456,844</b>	8,201,247
Adjustments for:			
Finance costs	7	<b>543,718</b>	291,870
Share of profits less losses of associates		<b>39,510</b>	(216,250)
Bank interest income	5	<b>(213,753)</b>	(359,777)
Interest income from receivables under a cooperative arrangement	5	<b>(135,752)</b>	(85,025)
COVID-19-related rent concessions from lessors	15(b)	<b>–</b>	(7,547)
Depreciation of property, plant and equipment	6	<b>559,356</b>	482,939
Depreciation of right-of-use assets	15(a)	<b>77,531</b>	62,046
Amortisation of operating concession rights	6	<b>1,249,981</b>	1,061,547
Amortisation of other intangible assets	17	<b>2,572</b>	2,371
Changes in fair value of investment properties		<b>(640,627)</b>	(757,279)
Net gains on disposal of subsidiaries	5	<b>–</b>	(76,809)
Loss on deemed disposal of an associate	6	<b>3,064</b>	–
Loss on disposal of property, plant and equipment, net	6	<b>2,325</b>	246
Impairment on items of property, plant and equipment	6	<b>–</b>	160
Impairment on operating concession rights	6	<b>2,492</b>	–
Exchange loss, net		<b>71,888</b>	142,772
Reversal of impairment losses for trade receivables, net	6	<b>(1,874)</b>	(457)
Operating profit before working capital changes		<b>10,017,275</b>	8,742,054
Decrease/(increase) in inventories		<b>(23,583)</b>	1,038,401
Decrease/(increase) in receivables, prepayments, other receivables and assets		<b>1,543,357</b>	(3,498,364)
Increase in receivables under service concession arrangements		<b>(3,336,641)</b>	(3,625,992)
Decrease in completed properties held for sale		<b>3,376,700</b>	2,908,304
Increase in properties held for sale under development		<b>(24,358,195)</b>	(3,668,456)
Increase in payables, accruals and other liabilities		<b>10,822,934</b>	2,161,783
Increase in contract liabilities		<b>173,608</b>	55,843
Movement in balances with non-controlling equity holders of subsidiaries, net		<b>(406,685)</b>	220,295
Decrease/(increase) in restricted bank balances		<b>(343,410)</b>	854,989
Cash generated from/(used in) operations		<b>(2,534,640)</b>	5,188,857
Interest received		<b>196,405</b>	333,180
Dividends received from associates		<b>185,794</b>	162,438
Hong Kong profits tax paid		<b>(10,179)</b>	(19,227)
Mainland China tax paid		<b>(2,776,634)</b>	(2,252,518)
Net cash flows from/(used in) operating activities		<b>(4,939,254)</b>	3,412,730

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net movement in receivables under a cooperative agreement		(249,141)	(553,479)
Purchases of property, plant and equipment		(847,863)	(825,613)
Addition to right-of-use assets	15(a)	(9,271)	(10,621)
Additions to service concession arrangements		(3,109,819)	(2,028,437)
Additions to investment properties		(1,142,138)	(845,969)
Additions to other intangible assets		(11)	(23,145)
Business combinations through acquisition of subsidiaries	34	(326,059)	(239,127)
Asset acquisitions through acquisition of subsidiaries	35	(583,656)	–
Disposal of subsidiaries	36	–	96,918
Deposits paid for acquisition of subsidiaries		–	(164,864)
Capital injection in associates		(28,757)	–
Proceeds from disposal of property, plant and equipment		20,147	17,820
Proceeds from disposal of an associate		–	3,442
Decrease in pledged bank deposits		–	43,241
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		430,402	2,296,965
Settlement of consideration payable for acquisition of subsidiaries in the prior years		(3,601)	(1,264)
<b>Net cash flows used in investing activities</b>		<b>(5,849,767)</b>	<b>(2,234,133)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank and other borrowings		27,071,892	6,069,471
Repayments of bank and other borrowings		(12,033,068)	(3,460,995)
Interest paid		(778,649)	(310,849)
Increase/(decrease) in amounts due to the ultimate holding company and fellow subsidiaries		(5,667)	2,113
Capital contribution from non-controlling equity holders of subsidiaries		235,744	424,136
Principal portion of lease payments	37(d)	(72,715)	(65,107)
Dividends paid to non-controlling equity holders of subsidiaries		(323,749)	(321,135)
Dividends paid to shareholders		(3,888,042)	(3,801,090)
<b>Net cash flows from/(used in) financing activities</b>		<b>10,205,746</b>	<b>(1,463,456)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(583,275)</b>	<b>(284,859)</b>
Cash and cash equivalents at beginning of year		9,197,749	8,948,216
Effect of foreign exchange rate changes, net		219,153	534,392
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>8,833,627</b>	<b>9,197,749</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	25	7,928,297	6,010,768
Non-pledged time deposits with original maturity of less than three months when acquired	25	905,330	3,186,981
<b>Cash and cash equivalents as stated in the consolidated statement of cash flows</b>		<b>8,833,627</b>	<b>9,197,749</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION

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

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

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

### Information about subsidiaries

Particulars of the Company’s principal subsidiaries as at 31 December 2021 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)(12)</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 FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2021 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)(14)</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.) <sup>(1)(16)</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)(10)</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 FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2021 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\$10,000	100%	–	Property investment
Guangdong Power (International) Limited	British Virgin Islands/ Hong Kong	US\$8,690,750	51%	–	Property investment
Guangdong Properties Holdings Limited <sup>(23)</sup>	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)(8)</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> (formerly known as 廣東粵海天河城百貨有限公司) <sup>(4)</sup>	Mainland China	RMB50,000,000	–	85.20%	Department store operation
Guangdong Water Holdings Limited	Hong Kong	HK\$1,300,000,000	100%	–	Investment holding
廣東粵海水務投資有限公司 (Guangdong Water Investment Co., Ltd.) <sup>(4)(17)</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)(19)</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.) <sup>(4)(29)</sup> ("GDH Highway") <sup>(4)(29)</sup>	Mainland China	RMB818,000,000	–	100%	Toll road operation

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2021 are as follows: (continued)

Company	Place of incorporation/ registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Company Limited <sup>▲</sup> ) ("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.) <sup>▲</sup> ("Jiangxi Guangdong") <sup>(4)(21)</sup>	Mainland China	RMB296,666,700	–	79%	Water distribution, sewage treatment operation and related construction services in the PRC
揭陽粵海四航國業水務有限公司 (name subsequently changed to 揭陽粵海國業水務有限公司 (Jieyang Guangdong Guoye Water Co., Ltd.) <sup>▲</sup> ) ("Jieyang Guoye") <sup>(4)(9)(30)</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)(18)</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)(7)</sup>	Mainland China	RMB45,000,000	–	80%	Water distribution operation

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2021 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	
邳州粤海環保有限公司(Pizhou Guangdong Huanbao Co., Ltd.▲) <sup>(4)(7)</sup>	Mainland China	RMB199,148,900	–	92%	Sewage treatment operation
邳州粤海水務有限公司(Pizhou Guangdong Water Co., Ltd.▲) <sup>(4)(13)</sup>	Mainland China	RMB510,827,700	–	74.47%	Water distribution operation
普寧粤海水務有限公司(Puning Guangdong Water Co., Ltd.▲) <sup>(4)(9)</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
汕尾粤海環保有限公司(Shanwei Guangdong Huanbao Co., Ltd.▲) <sup>(1)</sup>	Mainland China	RMB75,000,000	–	80%	Sewage treatment operation
汕尾粤海供水有限公司(Shanwei Guangdong Water Supply Co., Ltd.▲) <sup>(4)(9)(31)</sup>	Mainland China	RMB256,838,300	–	99.62%	Water distribution operation
韶關粤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
深圳粤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
廣東粤海水務檢測技術有限公司(Guangdong Yuehai Water Inspection Technology Company Limited▲) (formerly known as 深圳昇潤工程有限公司) <sup>(4)</sup>	Mainland China	RMB10,000,000	–	100%	Water supply construction work operation
遂溪粤海水務有限公司(Suixi Guangdong Water Co., Ltd.▲) ("Suixi Water Co") <sup>(1)(11)</sup>	Mainland China	RMB60,000,000	–	70%	Water distribution and sewage treatment operation

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2021 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	
Tianjin Yuehai Teem Shopping Center Co., Ltd. <sup>(3)</sup>	Mainland China	RMB1,810,000,000	–	76.02%	Property investment and development
天津粤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
興寧粵海環保有限公司 (Guangdong Huanbao Co., Ltd.▲) <sup>(3)</sup>	Mainland China	RMB9,660,000	–	100%	Sewage treatment 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 Water Supply Co., Ltd.▲) <sup>(2)(4)</sup>	Mainland China	RMB141,400,000	–	60%	Water distribution operation
Yue Sheng Finance Limited <sup>(35)</sup>	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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2021 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	
肇慶高新區粵海水務有限公司 (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)(9)</sup>	Mainland China	RMB1,470,00,000	–	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 <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 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 <sup>(3)</sup>	Mainland China	RMB10,000,000	100%	–	Finance
吳川粵海環保有限公司 (WuChuan Guangdong Huanbao Co., Ltd.▲) <sup>(1)(15)</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)(7)(32)</sup>	Mainland China	RMB150,005,900	–	55.3%	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	–	79%	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	–	79%	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	–	61.22%	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	–	79%	Water distribution operation

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2021 are as follows: (continued)

Company	Place of incorporation/ registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
來安縣粵海供水有限責任公司 (Laian Guangdong Water Supply Company Limited) <sup>(4)</sup>	Mainland China	RMB50,000,000	–	79%	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	–	79%	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	–	79%	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
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)(24)</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.) (formerly known as 嘉誠環保工程有限公司) <sup>(4)(7)(34)</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)(25)</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)(25)</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)(10)</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)(10)</sup>	Mainland China	RMB10,000,000	–	51%	Water supply construction work operation



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2021 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	
汕尾粵海清源環保有限公司 (Shanwei Guangdong Qingyuan Huanbao Co., Ltd.) <sup>(4)(22)</sup>	Mainland China	RMB482,274,000	–	95%	Sewage treatment operation
珠海粵海置地有限公司 (Zhuhai Yuehai Land Co., Ltd.) <sup>(4)(10)(20)</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)(10)</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
哈爾濱粵海水務科技有限公司 (Harbin Guangdong Water Technology Co., Ltd.) <sup>(4)(27)</sup>	Mainland China	RMB80,000,000	–	75%	Water technology development and consultation service
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) <sup>(4)(8)</sup>	Mainland China	RMB61,220,000	–	54.98%	Water resources system design and operation management
哈爾濱北方環境檢測有限公司 (Harbin Beifang Environment Testing Company Limited) <sup>(4)(8)</sup>	Mainland China	RMB1,000,000	–	54.98%	Environmental testing service
雲浮市粵海環保有限公司 (Yunfu City Guangdong Huanbao Co., Ltd.) <sup>(4)(8)(28)</sup>	Mainland China	RMB115,000,000	–	80%	Sewage treatment operation
雲浮市粵海清源環保有限公司 (Yunfu City Guangdong Qingyuan Huanbao Co., Ltd.) <sup>(4)(8)</sup>	Mainland China	RMB12,000,000	–	100%	Sewage treatment operation
雲浮市自來水有限公司 (Yunfu City Water Supply Co., Ltd.) <sup>(4)(8)</sup>	Mainland China	RMB108,000,000	–	80%	Water supply operation
雲浮市雲安區粵海供水有限公司 (Yunfu City Yunan District Guangdong Water Supply Co., Ltd.) <sup>(4)(8)</sup>	Mainland China	RMB10,000,000	–	100%	Water distribution operation

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2021 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	
雲浮市雲安區怡源環保有限公司 (Yunfu City Yunan District Yiyuan Huanbao Co., Ltd.) <sup>(4)(8)</sup>	Mainland China	RMB6,000,000	–	100%	Sewage treatment operation
雲浮市雲安粵海城鄉供水有限公司 (Yunfu City Yunan Guangdong Water Supply Co., Ltd.) <sup>(4)(9)</sup>	Mainland China	RMB54,583,130	–	62.9%	Water distribution operation
郁南縣粵海環保有限公司 (Yunan County Guangdong Huanbao Co., Ltd.) <sup>(4)(8)</sup>	Mainland China	RMB4,000,000	–	100%	Sewage treatment operation
湘陰粵海水務有限公司 (Xiangyin Guangdong Water Co., Ltd.) <sup>(4)(10)(33)</sup>	Mainland China	RMB175,317,500	–	72%	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 for the Period shall be made to GH Water Holdings, its holding company holding a 99% equity interest. Starting from the sixteenth year of WaterCo's operation (from 18 August 2015 onwards), 1.01% of the distributed profits of WaterCo for the Period plus simple interest at a rate of 8% per annum on the unpaid amount of the distributed profits shall be made to Guangdong Holdings (collectively referred to as the "Deferred Dividend"). Once Guangdong Holdings has received the Deferred Dividend in full, all of WaterCo's distributable profits will be distributed to GH Water Holdings and Guangdong Holdings according to their respective equity interests in WaterCo for the remaining operating period.
- (6) Qingxi Water Co and Wanye are subsidiaries of non-wholly owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2021 are as follows: (continued)

Notes: (continued)

- (7) This subsidiary was acquired by the Group during the year ended 31 December 2021, further details of which are set out in note 34 to these financial statements.
- (8) This subsidiary was acquired by the Group during the year ended 31 December 2020, further details of which are set out in note 34 to these financial statements.
- (9) These subsidiaries were established by the Group during the year ended 31 December 2021.
- (10) These subsidiaries were established by the Group during the year ended 31 December 2020.
- (11) During the year ended 31 December 2020, the Group contributed RMB4,200,000 to Suixi Water Co as paid-up capital.
- (12) During the year ended 31 December 2020, the Group contributed RMB118,179,121 to Chaozhou Guangdong Huanbao Company Limited as paid-up capital.
- (13) During the year ended 31 December 2020, the Group contributed RMB152,163,600 to Pizhou Guangdong Water Co., Ltd. as paid-up capital.
- (14) During the year ended 31 December 2021, the Group contributed RMB339,134,603 (2020: RMB388,000,000) to Dongguan Yuehai Yinping as paid-up capital. RMB66,305,397 will be contributed by the Group by instalments.
- (15) During the year ended 31 December 2020, the Group contributed RMB30,000,000 to WuChuan Guangdong Huanbao Co., Ltd. as paid-up capital.
- (16) During the year ended 31 December 2020, the Group contributed RMB85,940,000 to Fengshun Water Co as paid-up capital.
- (17) During the year ended 31 December 2020, the Group contributed RMB1,105,000,000 to Guangdong Water Investment Co., Ltd. as paid-up capital.
- (18) During the year ended 31 December 2020, the Group contributed RMB8,841,310 to Laipo Guangdong Water Co., Ltd. as paid-up capital.
- (19) 100% equity interest in Guangdong Yuehai Property Development Co., Ltd. with an investment cost of HK\$1,434,146,000 (2020: HK\$1,390,761,000) was pledged to secure a bank loan (note 28).
- (20) 100% equity interest in Zhuhai Yuehai Land Co., Ltd. with an investment cost of HK\$1,137,483,000 (2020: Nil) was pledged to secure a bank loan (note 28).
- (21) 79% equity interest in Jiangxi Guangdong with an investment cost of HK\$1,989,824,000 (2020: Nil) was pledged to secure a bank loan (note 28).
- (22) During the year ended 31 December 2020, the Group contributed RMB45,816,030 to Shanwei Guangdong Qingyuan Huanbao Co., Ltd. as paid-up capital.
- (23) During the year ended 31 December 2021, the Group contributed HK\$80,000,000 to Guangdong Properties Holdings Limited as paid-up capital.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2021 are as follows: (continued)

Notes: (continued)

- (24) During the year ended 31 December 2020, the Group contributed RMB74,161,900 to Kunming Guangdong Water Co., Ltd. as paid-up capital.
  - (25) During the year ended 31 December 2020, the Group contributed RMB69,766,300 to Huilai Guangdong Luyuan Huanbao Co., Ltd. as paid-up capital.
  - (26) During the year ended 31 December 2020, the Group contributed RMB47,416,800 to Huilai Guangdong Qingyuan Huanbao Co., Ltd. as paid-up capital.
  - (27) During the year ended 31 December 2020, the Group contributed RMB6,000,000 to Harbin Guangdong Water Technology Co., Ltd. as paid-up capital.
  - (28) During the year ended 31 December 2020, the Group contributed RMB12,000,000 to Yunfu City Guangdong Huanbao Co., Ltd. as paid-up capital.
  - (29) During the year ended 31 December 2020, the Group contributed RMB300,000,000 to GDH Highway as paid-up capital.
  - (30) During the year ended 31 December 2021, the Group contributed RMB55,360,000 (2020: Nil) to Jieyang Guoye as paid-up capital.
  - (31) During the year ended 31 December 2021, the Group contributed RMB255,862,000 (2020: Nil) to Shanwei Guangdong Water Supply Co., Ltd. as paid-up capital.
  - (32) During the year ended 31 December 2021, the Group contributed RMB105,004,000 (2020: Nil) to Nanchang Ganbo Guangdong Co., Ltd. as paid-up capital.
  - (33) During the year ended 31 December 2021, the Group contributed RMB126,229,000 (2020: Nil) to Xiangyin Guangdong Water Co., Ltd. as paid-up capital.
  - (34) During the year ended 31 December 2021, the Group contributed RMB132,500,000 (2020: Nil) to Hebei Guangdong Water Co., Ltd. as paid-up capital.
  - (35) During the year ended 31 December 2021, the Group contributed HK\$170,000,000 to Yue Sheng Finance Limited as paid-up capital.
- ▲ The English name of the entity marked with "▲" is a translation of its Chinese name, and is included herein and in other sections of these financial statements for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.1 BASIS OF PREPARATION

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

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively known as the “Group”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") as at 31 December 2021. The Group expects HIBOR will continue to exist and there is no impact on the Group's HIBOR-based borrowings.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. The amendments did not have any material impact on the financial position and performance of the Group.



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>2, 5</sup>
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> <sup>2</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>2, 4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>2</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>2</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>2</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>1</sup>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> <sup>1</sup>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, HKAS 41 <sup>1</sup>

- 1 Effective for annual periods beginning on or after 1 January 2022
- 2 Effective for annual periods beginning on or after 1 January 2023
- 3 No mandatory effective date yet determined but available for adoption
- 4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
- 5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Investments in associates

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

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

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

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

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

### 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Business combinations and goodwill** (continued)

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

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

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

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

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

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

### **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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fair value measurement (continued)

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

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

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

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

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties stated at fair value, inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less cost of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### Properties held for sale under development

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

### Completed properties held for sale

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment and depreciation

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

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

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

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

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

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

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

Construction in progress represents buildings and plant and machinery under construction, which 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties

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

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

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

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 "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" and "Leases". For a transfer from completed properties held for sale or inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

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

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

### Leases

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Leases** (continued)

### ***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".

(b) *Lease liabilities*

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Leases** (continued)

### ***The Group as a lessor***

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

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

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

### **Service concession arrangements**

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Service concession arrangements (continued)

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

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

### Intangible assets (other than goodwill)

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

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

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Investments and other financial assets**

#### ***Initial recognition and measurement***

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

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

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

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

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

#### ***Subsequent measurement***

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

#### ***Financial assets at amortised cost (debt instruments)***

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

#### ***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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### ***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.

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

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

#### **Derecognition of financial assets**

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets

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

### General approach

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

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

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

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

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

### 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Financial liabilities**

#### ***Initial recognition and measurement***

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

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

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

#### ***Subsequent measurement***

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

#### ***Financial liabilities at amortised cost (loans and borrowings and lease liabilities)***

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

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

#### ***Financial guarantee contracts***

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

#### ***Put option on non-controlling interests in a subsidiary***

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

#### ***Derecognition of financial liabilities***

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Offsetting of financial instruments

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

### Inventories

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

### Cash and cash equivalents

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

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

### Provisions

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

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

### Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

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

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

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

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

### Government grants

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

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

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

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

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

(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 (2020: over the service period for the supply of a target volume of water); and with respect to the water distribution to the PRC, revenue is recognised at the point in time when the control of the water is transferred to the customers which generally 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.

(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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

#### **Revenue from other sources**

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

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

#### **Other income**

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

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

#### **Contract assets**

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

#### **Contract liabilities**

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

#### **Contract costs**

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

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Other employee benefits

#### Retirement benefit schemes

##### Defined contribution plan

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

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

##### Defined benefit plan

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

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

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

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

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

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

##### Termination benefits

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Borrowing costs**

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

### **Dividends**

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

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

### **Foreign currencies**

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

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

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

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

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

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

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### Judgements

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

#### (i) Revenue from contracts with customers

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

##### (a) Determining the timing of satisfaction of construction services

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

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

##### (b) Principal versus agent considerations

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

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

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Judgements (continued)

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

##### (b) Principal versus agent considerations (continued)

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

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

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

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

#### (ii) Property lease classification – Group as lessor

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

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Judgements (continued)

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

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

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

#### (vi) **Investment properties under development**

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

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

#### (vii) **Impairment of assets**

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Judgements (continued)

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

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

### 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 2021 was HK\$23,807,224,000 (2020: HK\$21,295,440,000).

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

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

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances. The carrying amount of property, plant and equipment, excluding construction in progress, as at 31 December 2021 was HK\$7,205,104,000 (2020: HK\$7,070,386,000).

#### (iii) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2021 was HK\$804,957,000 (2020: HK\$594,086,000) in aggregate. Further details of the impairment test of goodwill are set out in note 16 to the financial statements.

#### (iv) *Leases – Estimating the incremental borrowing rate*

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

#### (vi) Land appreciation tax

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

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

#### (vii) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses as at 31 December 2021 was HK\$140,422,000 (2020: HK\$28,585,000). The amount of unrecognised tax losses as at 31 December 2021 was HK\$1,314,818,000 (2020: HK\$1,247,964,000). Further details are set out in note 30 to the financial statements.

#### (viii) Deferred tax liabilities of withholding taxes

Deferred tax liabilities are recognised in respect of the unremitted earnings of the PRC subsidiaries and associates generated subsequent to 1 January 2008, except to the extent that the parent or investor is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, which is based upon the estimated timing of dividend distribution. The carrying amount of deferred tax liabilities in respect of withholding tax as at 31 December 2021 was HK\$972,021,000 (2020: HK\$865,990,000).

#### (ix) Progress of construction contracts

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

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

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

The estimation of the consideration of a service concession arrangement as a financial asset or an intangible asset, where applicable, requires the Group to make an estimate of a number of factors, which include, inter alia, the fair value of the construction services provided, if applicable, expected level of services to be provided by the Group over the service concession period, guaranteed receipts and unguaranteed receipts, and an appropriate discount rate in order to calculate the present value of these cash flows. These estimates are determined by the Group's management based on its experience and assessment on current and future market conditions. The carrying amounts of operating concession rights and receivables under service concession arrangements as at 31 December 2021 were HK\$21,787,134,000 (2020: HK\$15,060,664,000) and HK\$15,388,206,000 (2020: HK\$9,547,519,000), respectively.

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

The Group assesses the carrying amounts of properties held for sale under development and completed properties held for sale according to their estimated net realisable value based on the realisability of these properties, taking into account construction costs to completion based on committed contracts, the existing development plans and the 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 2021 were HK\$33,852,306,000 (2020: HK\$6,213,674,000) and HK\$987,625,000 (2020: HK\$4,258,089,000), respectively.

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

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

#### (xiii) **Purchase price allocation**

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

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

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

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

The assessment of historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs and the carrying amounts of the Group's trade receivables and contract assets are disclosed in note 24 and note 19(c) to the financial statements, respectively.

## 4. OPERATING SEGMENT INFORMATION

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

- (i) The water resources segment engages in water distribution, sewage treatment, construction of water supply and sewage treatment infrastructure and water pipeline installation for customers in Mainland China and Hong Kong;
- (ii) The property investment and development segment mainly invests in various properties in Hong Kong and Mainland China that are held for rental income purposes and engages in the development and sale of properties in Mainland China. This segment also provides property management services to certain commercial properties;
- (iii) The department store operation segment operates department stores, which engages in sale of goods and concessionaire sales, and management and sub-letting of operating area, in Mainland China;
- (iv) The electric power generation segment operates coal-fired power plants supplying electricity and steam in the Guangdong Province, Mainland China;
- (v) The hotel operation and management segment operates the Group's hotels and provides hotel management services to certain third parties' hotels in Hong Kong and Mainland China;
- (vi) The road and bridge segment invests in road and bridge projects, which engages in toll road operation and road management in Mainland China; and
- (vii) The "others" segment provides treasury services in Hong Kong and Mainland China and engages in the provision of corporate services to other segments.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 4. OPERATING SEGMENT INFORMATION (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that bank interest income, dividends received from equity investments designated at fair value through other comprehensive income, net gain on disposal of subsidiaries, loss on deemed disposal of an associate, finance costs (other than interest on lease liabilities) and share of profits less losses of associates are excluded from such measurement.

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

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

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

Intersegment sales are eliminated in full on consolidation.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 4. OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments

	Water resources		Property investment and development		Department store operation	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>Segment revenue</b>						
Revenue from external customers	17,805,801	12,990,887	7,878,330	7,077,895	636,688	519,900
Intersegment sales	-	-	98,086	89,744	-	-
Other income and gains from external sources	46,995	4,579	10,004	3,619	20,205	67,587
Other income from intersegment transactions	-	-	-	7,820	-	-
<b>Total</b>	<b>17,852,796</b>	<b>12,995,466</b>	<b>7,986,420</b>	<b>7,179,078</b>	<b>656,893</b>	<b>587,487</b>
<b>Segment results</b>	<b>4,851,684</b>	<b>4,271,303</b>	<b>3,611,902</b>	<b>2,956,813</b>	<b>77,890</b>	<b>106,734</b>
Bank interest income						
Dividends received from equity investments designated at fair value through other comprehensive income	2	1,013	-	-	-	-
Net gain on disposal of subsidiaries	-	-	-	76,809	-	-
Loss on deemed disposal of an associate	(3,064)	-	-	-	-	-
Finance costs						
Share of profits less losses of associates	151,007	112,186	-	-	(30,936)	(25,390)
Profit before tax						
Income tax expense						
Profit for the year						

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 4. OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

	Electric power generation		Hotel operation and management		Road and bridge	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>Segment revenue</b>						
Revenue from external customers	1,605,205	1,204,982	398,033	307,745	1,391,435	1,071,913
Intersegment sales	292,073	252,776	-	-	-	-
Other income and gains from external sources	61,416	51,445	501	1,029	139,084	89,579
Other income from intersegment transactions	-	-	-	-	-	-
<b>Total</b>	<b>1,958,694</b>	<b>1,509,203</b>	<b>398,534</b>	<b>308,774</b>	<b>1,530,519</b>	<b>1,161,492</b>
<b>Segment results</b>	<b>(193,222)</b>	<b>188,527</b>	<b>(31,389)</b>	<b>(122,118)</b>	<b>545,359</b>	<b>316,478</b>
Bank interest income						
Dividends received from equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-
Net gain on disposal of subsidiaries	-	-	-	-	-	-
Loss on deemed disposal of an associate	-	-	-	-	-	-
Finance costs						
Share of profits less losses of associates	(159,581)	129,349	-	105	-	-
Profit before tax						
Income tax expense						
Profit for the year						

# NOTES TO FINANCIAL STATEMENTS

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## 4. OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>Segment revenue</b>						
Revenue from external customers	-	-	-	-	29,715,492	23,173,322
Intersegment sales	15,539	-	(405,698)	(342,520)	-	-
Other income and gains from external sources	36	6,122	-	-	278,241	223,960
Other income from intersegment transactions	11,977	11,027	(11,977)	(18,847)	-	-
Total	<u>27,552</u>	<u>17,149</u>	<u>(417,675)</u>	<u>(361,367)</u>	<u>29,993,733</u>	<u>23,397,282</u>
<b>Segment results</b>	<u>(37,239)</u>	<u>88,958</u>	<u>(22,442)</u>	<u>2,002</u>	<u>8,802,543</u>	<u>7,808,697</u>
Bank interest income					213,753	359,777
Dividends received from equity investments designated at fair value through other comprehensive income	-	-	-	-	2	1,013
Net gain on disposal of subsidiaries	-	-	-	-	-	76,809
Loss on deemed disposal of an associate	-	-	-	-	(3,064)	-
Finance costs					(516,880)	(261,299)
Share of profits less losses of associates	-	-	-	-	(39,510)	216,250
Profit before tax					8,456,844	8,201,247
Income tax expense					(2,969,258)	(2,562,882)
Profit for the year					<u>5,487,586</u>	<u>5,638,365</u>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 4. OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

	Water resources		Property investment and development		Department store operation	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment assets	<b>41,796,613</b>	27,473,043	<b>60,625,635</b>	36,294,345	<b>1,430,738</b>	542,901
Investments in associates	<b>3,286,170</b>	3,067,803	–	–	<b>153,020</b>	179,171
Unallocated assets						
Total assets						
Segment liabilities	<b>10,939,312</b>	5,782,699	<b>14,559,955</b>	5,113,616	<b>2,203,460</b>	1,428,769
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	<b>1,275,973</b>	1,107,318	<b>67,407</b>	74,550	<b>62,533</b>	37,152
Exchange differences, net	<b>120,133</b>	170,570	<b>94,743</b>	154,615	<b>(14,214)</b>	(27,231)
Impairment/(reversal) of impairment losses for trade receivables, net	<b>(1,887)</b>	(389)	–	–	<b>13</b>	(66)
Impairment on items of property, plant and equipment	–	160	–	–	–	–
Impairment on operating concession rights	<b>2,492</b>	–	–	–	–	–
Changes in fair value of investment properties	<b>361</b>	236	<b>(653,773)</b>	(830,068)	<b>26,163</b>	27,458
Net gain on disposal of subsidiaries	–	–	–	(76,809)	–	–
Loss on deemed disposal of an associate	<b>3,064</b>	–	–	–	–	–
Loss/(gain) on disposal of property, plant and equipment, net	<b>2,395</b>	(1,052)	<b>(188)</b>	89	<b>43</b>	149
Capital expenditure*	<b>7,395,715</b>	1,875,204	<b>1,025,149</b>	997,624	<b>638,582</b>	20,291

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



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 4. OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

	Electric power generation		Hotel operation and management		Road and bridge	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment assets	<b>2,482,404</b>	2,500,857	<b>2,257,931</b>	2,138,052	<b>6,215,021</b>	5,026,837
Investments in associates	<b>951,438</b>	1,210,639	–	–	–	–
Unallocated assets						
Total assets						
Segment liabilities	<b>703,569</b>	477,736	<b>212,663</b>	210,382	<b>744,346</b>	728,595
Unallocated liabilities						
Total liabilities						
Other segment information:						
Depreciation and amortisation	<b>128,432</b>	119,367	<b>130,360</b>	110,207	<b>221,464</b>	157,560
Exchange differences, net	<b>16,290</b>	39,379	<b>(4,662)</b>	(9,601)	<b>(23,061)</b>	(17,632)
Impairment/(reversal) of impairment losses for trade receivables, net	–	–	–	(2)	–	–
Impairment on items of property, plant and equipment	–	–	–	–	–	–
Impairment on operating concession rights	–	–	–	–	–	–
Changes in fair value of investment properties	–	–	<b>(13,197)</b>	45,314	–	–
Net gain on disposal of subsidiaries	–	–	–	–	–	–
Loss on deemed disposal of an associate	–	–	–	–	–	–
Loss/(gain) on disposal of property, plant and equipment, net	<b>14</b>	(2)	<b>41</b>	1,059	<b>20</b>	4
Capital expenditure*	<b>23,705</b>	11,418	<b>204,533</b>	224,321	<b>714,426</b>	633,890

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 4. OPERATING SEGMENT INFORMATION (continued)

### (a) Operating segments (continued)

	Others		Eliminations		Consolidated	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment assets	31,777	19,727	(698,554)	(100,315)	114,141,565	73,895,447
Investments in associates	-	-	-	-	4,390,628	4,457,613
Unallocated assets					11,498,630	11,247,482
Total assets					<u>130,030,823</u>	<u>89,600,542</u>
Segment liabilities	164,090	141,747	(339,791)	-	29,187,604	13,883,544
Unallocated liabilities					38,938,342	19,761,037
Total liabilities					<u>68,125,946</u>	<u>33,644,581</u>
Other segment information:						
Depreciation and amortisation	3,271	2,749	-	-	1,889,440	1,608,903
Exchange differences, net	(101,353)	(215,676)	(2,431)	(6,155)	85,445	88,269
Impairment/(reversal) of impairment losses for trade receivables, net	-	-	-	-	(1,874)	(457)
Impairment on items of property, plant and equipment	-	-	-	-	-	160
Impairment on operating concession rights	-	-	-	-	2,492	-
Changes in fair value of investment properties	(181)	(219)	-	-	(640,627)	(757,279)
Net gain on disposal of subsidiaries	-	-	-	-	-	(76,809)
Loss on deemed disposal of an associate	-	-	-	-	3,064	-
Loss/(gain) on disposal of property, plant and equipment, net	-	(1)	-	-	2,325	246
Capital expenditure*	4,574	3,341	(15,666)	(14,716)	9,991,018	3,751,373

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 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 2021 and 2020.

	2021 HK\$'000	2020 HK\$'000
<b>Revenue from external customers</b>		
Hong Kong	160,857	123,910
Mainland China	29,554,635	23,049,412
	<b>29,715,492</b>	<b>23,173,322</b>

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

	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>		
Hong Kong	2,370,498	2,380,795
Mainland China	75,241,286	59,170,600
	<b>77,611,784</b>	<b>61,551,395</b>

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 approximately HK\$4,821,410,000 (2020: HK\$4,821,410,000) was derived from sales by the water resources segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 5. REVENUE, AND OTHER INCOME AND GAINS, NET

### Revenue

#### (i) Disaggregated revenue information

	2021 HK\$'000	2020 HK\$'000
<b>(a) Types of goods or services:</b>		
<b>Water resources segment</b>		
Income from water distribution – Hong Kong	4,821,410	4,821,410
Income from water distribution – the PRC	3,439,961	2,403,142
Income from sewage treatment services	569,822	294,722
Income from construction services	6,790,344	4,386,877
Income from water pipeline installation and consultancy services	1,225,434	731,379
Sale of machineries	365,879	59,674
<b>Property investment and development segment</b>		
Sale of properties	6,338,484	5,829,714
Management fee income	172,575	147,542
<b>Department store operation segment</b>		
Commission income from concessionaire sales	480,997	430,994
Sale of goods	87,477	88,906
Management fee income	9,952	–
<b>Electric power generation segment</b>		
Sale of electricity and steam	1,605,205	1,204,982
<b>Hotel operation and management segment</b>		
Hotel income	343,934	265,182
Management fee income	15,623	13,349
<b>Road and bridge segment</b>		
Toll revenue	659,081	422,374
Income from construction services	710,453	634,349
Management and maintenance fee income	21,901	15,190
<i>Revenue from contracts with customers</i>	<b>27,658,532</b>	21,749,786
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	592,951	293,683
Rental income	1,464,009	1,129,853
Total revenue	<b>29,715,492</b>	23,173,322

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 5. REVENUE, AND OTHER INCOME AND GAINS, NET (continued)

Revenue (continued)

(i) *Disaggregated revenue information (continued)*

	2021 HK\$'000	2020 HK\$'000
<b>(b) Geographical locations*:</b>		
<b>Mainland China</b>		
Water resources segment	17,212,850	12,697,204
Property investment and development segment	6,511,059	5,977,256
Department store operation segment	578,426	519,900
Electric power generation segment	1,605,205	1,204,982
Hotel operation and management segment	265,206	219,478
Road and bridge segment	1,391,435	1,071,913
	<b>27,564,181</b>	<b>21,690,733</b>
<b>Hong Kong</b>		
Hotel operation and management segment	94,351	59,053
<i>Revenue from contracts with customers</i>	<b>27,658,532</b>	<b>21,749,786</b>
<i>Revenue from other sources</i>		
Finance income from service concession arrangements	592,951	293,683
Rental income	1,464,009	1,129,853
	<b>29,715,492</b>	<b>23,173,322</b>

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

### (ii) *Performance obligations*

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

#### *Water distribution*

With respect to the water distribution to Hong Kong, the performance obligation is satisfied upon the supply of water to customers in accordance with the water price deduction mechanism and contract terms (2020: when the supply of water is rendered over the service period) and payment is generally due within 30 days from the date of billing.

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 5. REVENUE, AND OTHER INCOME AND GAINS, NET (continued)

**Revenue** (continued)

### (ii) **Performance obligations** (continued)

*Construction services under water resources segment*

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

*Water pipeline installation and consultancy services*

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

*Sewage treatment services*

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

*Toll road and bridge operation services*

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

*Construction services under toll and bridge segment*

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

*Management and maintenance services*

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

*Hotel operation*

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

*Sale of electricity and steam*

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

*Sale of goods and commission income from concessionaire sales*

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

*Sale of machineries*

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

*Sale of properties*

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 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 2021 are as follows:

	2021 HK\$'000	2020 HK\$'000
Expected to be recognised within one year	11,633,095	12,267,517
Expected to be recognised after one year	41,348,464	23,579,829
	<b>52,981,559</b>	<b>35,847,346</b>

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

	2021 HK\$'000	2020 HK\$'000
Bank interest income	213,753	359,777
Interest income from receivables under a cooperative arrangement	135,752	85,025
Net gain on disposal of subsidiaries	–	76,809
Others	139,427	139,948
	<b>488,932</b>	<b>661,559</b>



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 6. PROFIT BEFORE TAX

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

	Notes	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold*		1,992,367	1,148,435
Cost of services rendered*		11,462,308	7,905,073
Cost of properties sold*		3,373,040	3,674,238
Depreciation of property, plant and equipment	13	559,356	482,939
Depreciation of right-of-use assets	15(a)	77,531	62,046
Amortisation of operating concession rights*	19(a)	1,249,981	1,061,547
Amortisation of other intangible assets	17	2,572	2,371
Reversal of impairment losses for trade receivables, net <sup>^</sup>	24	(1,874)	(457)
Impairment on items of property, plant and equipment <sup>^</sup>	13	–	160
Impairment of operating concession rights <sup>^</sup>	19(a)	2,492	–
Lease payments not included in the measurement of lease liabilities	15(c)	14,747	49,397
Auditor's remuneration		11,480	11,073
Employee benefit expenses:			
Wages and salaries (excluding directors' fee)		2,022,690	1,536,815
Pension scheme contributions:			
– defined contribution plans <sup>^^</sup>		266,690	86,451
– defined benefit plans		4,954	–
Less: Forfeited contributions		(196)	(33)
Net pension scheme contributions <sup>#</sup>		271,448	86,418
Less: Amount capitalised		(239,098)	(174,822)
		2,055,040	1,448,411
Gross rental income from investment properties		(1,391,493)	(1,117,924)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		152,523	115,839
Net rental income from investment properties		(1,238,970)	(1,002,085)
Loss on disposal of property, plant and equipment, net <sup>^</sup>		2,325	246
Net gain on disposal of subsidiaries	36	–	(76,809)
Loss on deemed disposal of an associate		3,064	–
Government subsidies <sup>**^</sup>		(56,775)	(55,930)

\* 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 2021 and 2020, 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 income, net" on the face of the consolidated statement of profit or loss.

<sup>^^</sup> There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK\$'000	2020 HK\$'000
Interest on bank and other borrowings	626,044	294,754
Interest on a loan from the ultimate holding company (note 40(a)(v))	93,852	–
Interest on loans from fellow subsidiaries (note 40(a)(vi))	99,197	15,212
Interest on lease liabilities (note 15(b))	26,973	30,830
Interest related to defined benefit obligations (note 43)	4,592	–
	<hr/>	<hr/>
Finance costs incurred	850,658	340,796
Less: Interest capitalised	(306,940)	(48,926)
	<hr/>	<hr/>
Finance costs charged for the year	<b>543,718</b>	291,870
	<hr/> <hr/>	<hr/> <hr/>

The capitalised interest rates applied to funds borrowed and used for the development of properties held for sale and investment properties under development are between 1.21% and 6.50% per annum (2020: between 3.83% and 4.75% per annum).

## 8. DIRECTORS' REMUNERATION

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

	2021 HK\$'000	2020 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	3,619	3,619
Non-executive directors	–	–
	<hr/>	<hr/>
	3,619	3,619
Other emoluments:		
Salaries, allowances and benefits in kind	7,039	5,922
Performance related bonuses	1,745	2,518
Pension scheme contributions	1,435	645
Less: Forfeited contributions	–	–
	<hr/>	<hr/>
Net pension scheme contributions	1,435	645
	<hr/>	<hr/>
Total directors' remuneration	<b>13,838</b>	12,704
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 8. DIRECTORS' REMUNERATION (continued)

### (a) Independent non-executive directors

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

	2021 HK\$'000	2020 HK\$'000
CHAN Cho Chak, John	749	749
FUNG Daniel Richard	700	700
CHENG Mo Chi, Moses	700	700
WU Ting Yuk, Anthony	770	770
LI Man Bun, Brian David <sup>#</sup>	535	–
LI Kwok Po, David <sup>*</sup>	165	700
	<u>3,619</u>	<u>3,619</u>

<sup>#</sup> Appointed as Independent Non-Executive Director of the Company on 27 March 2021.

<sup>\*</sup> Resigned as Independent Non-Executive Director of the Company on 27 March 2021.

There were no other emoluments paid to the independent non-executive directors during the year (2020: Nil).

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

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Net pension scheme contributions HK\$'000	Total HK\$'000
<b>2021</b>					
Executive directors:					
HOU Wailin	–	–	–	–	–
LIN Tiejun	–	2,412	492	578	3,482
WEN Yinheng	–	2,227	585	569	3,381
TSANG Hon Nam	–	1,458	668	60	2,186
LIANG Yuanjuan <sup>#</sup>	–	942	–	228	1,170
	–	<u>7,039</u>	<u>1,745</u>	<u>1,435</u>	<u>10,219</u>
Non-executive directors:					
CAI Yong	–	–	–	–	–
LAN Runing	–	–	–	–	–
FENG Qingchun	–	–	–	–	–
	–	<u>7,039</u>	<u>1,745</u>	<u>1,435</u>	<u>10,219</u>

<sup>#</sup> Appointed as Executive Director of the Company on 27 March 2021.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 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
2020					
Executive directors:					
HOU Wailin	-	-	-	-	-
LIN Tiejun#	-	1,884	567	244	2,695
WEN Yinheng	-	2,175	1,093	326	3,594
HO LAM Lai Ping, Theresa**	-	412	-	15	427
TSANG Hon Nam	-	1,451	858	60	2,369
	-	5,922	2,518	645	9,085
Non-executive directors:					
CAI Yong	-	-	-	-	-
ZHAO Chunxiao^	-	-	-	-	-
LAN Runing	-	-	-	-	-
LI Wai Keung@	-	-	-	-	-
FENG Qingchun+	-	-	-	-	-
	-	5,922	2,518	645	9,085

# Appointed as Executive Director of the Company on 28 March 2020.

\*\* Resigned as Executive Director of the Company on 28 March 2020.

^ Resigned as Non-Executive Director of the Company on 9 June 2020.

@ Resigned as Non-Executive Director of the Company on 28 March 2020.

+ Appointed as Non-Executive Director of the Company on 26 August 2020.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2020: one) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the other three (2020: four) highest paid employees who are not directors of the Company are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and benefits in kind	4,586	5,781
Performance related bonuses	6,378	9,784
Pension scheme contributions	169	579
	<b>11,133</b>	<b>16,144</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 9. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees	
	2021	2020
HK\$3,000,001 – HK\$3,500,000	2	1
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	1	1
	<b>3</b>	<b>4</b>

## 10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. Under the PRC Corporate Income Tax Law, which became effective from 1 January 2008, enterprises are subject to corporate income tax at a rate of 25%. 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.

	2021 HK\$'000	2020 HK\$'000
Current – Hong Kong		
Charge for the year	9,549	10,133
Under/(over) provision in prior years	13	(44)
Current – Mainland China		
Charge for the year	3,640,758	3,459,282
Underprovision in prior years	2,262	7,427
Deferred tax ( <i>note 30</i> )	(683,324)	(913,916)
Total tax charge for the year	<b>2,969,258</b>	<b>2,562,882</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 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:

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 10. INCOME TAX EXPENSE (continued)

	2020					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>532,176</u>		<u>7,669,071</u>		<u>8,201,247</u>	
Tax at the statutory tax rates	87,809	16.5	1,917,268	25.0	2,005,077	24.4
Lower tax rates for specific provinces or enacted by local authority	–	–	(41,964)	(0.5)	(41,964)	(0.5)
Adjustments in respect of current tax of previous periods	(44)	–	7,427	0.1	7,383	0.1
Profits attributable to associates	–	–	(54,290)	(0.7)	(54,290)	(0.7)
Income not subject to tax	(310,568)	(58.4)	(22,386)	(0.3)	(332,954)	(4.0)
Expenses not deductible for tax	218,143	41.0	172,999	2.2	391,142	4.8
Effect of withholding tax at on the distributable profits on the Group's PRC subsidiaries	–	–	131,118	1.7	131,118	1.6
Tax losses utilised from previous periods	(169)	–	(12,489)	(0.2)	(12,658)	(0.2)
Tax losses not recognised	4,737	0.9	60,011	0.8	64,748	0.8
LAT in Mainland China	–	–	1,228,760	16.0	1,228,760	15.0
Release of deferred LAT liabilities	–	–	(497,359)	(6.5)	(497,359)	(6.1)
LAT deductible for calculation of income tax	–	–	(286,328)	(3.7)	(286,328)	(3.5)
Temporary difference not recognised	(173)	(0.1)	(40,994)	(0.5)	(41,167)	(0.5)
Others	<u>7,852</u>	<u>1.5</u>	<u>(6,478)</u>	<u>(0.1)</u>	<u>1,374</u>	<u>–</u>
Tax charge at the Group's effective rates	<u>7,587</u>	<u>1.4</u>	<u>2,555,295</u>	<u>33.3</u>	<u>2,562,882</u>	<u>31.2</u>

## 11. DIVIDENDS

	2021 HK\$'000	2020 HK\$'000
Interim – HK18.17 cents (2020: HK17.64 cents) per ordinary share	<b>1,187,922</b>	1,153,272
Proposed final – HK42.54 cents (2020: HK41.30 cents) per ordinary share	<b>2,781,000</b>	2,700,000
	<b>3,968,922</b>	3,853,272

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.



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## 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:

	2021 HK\$'000	2020 HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation	<u><u>4,696,962</u></u>	<u><u>4,509,944</u></u>
	<b>Number of shares</b>	
Shares:	2021	2020
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	<u><u>6,537,821,440</u></u>	<u><u>6,537,821,440</u></u>

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2021 and 2020 in the calculation of diluted earnings per share as there were no potential dilutive ordinary shares during the years ended 31 December 2021 and 2020.

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

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## 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 2020:									
Cost	2,329,382	1,916,962	1,237,670	4,372,338	569,814	348,584	55,077	465,159	11,294,986
Accumulated depreciation and impairment	(1,033,737)	(785,433)	(178,594)	(1,764,992)	(432,113)	(223,235)	(28,843)	-	(4,446,947)
Net carrying amount	<u>1,295,645</u>	<u>1,131,529</u>	<u>1,059,076</u>	<u>2,607,346</u>	<u>137,701</u>	<u>125,349</u>	<u>26,234</u>	<u>465,159</u>	<u>6,848,039</u>
At 1 January 2020, net of accumulated depreciation and impairment									
	1,295,645	1,131,529	1,059,076	2,607,346	137,701	125,349	26,234	465,159	6,848,039
Additions	-	13,897	2,491	44,781	49,510	86,522	7,358	562,217	766,776
Business combinations through acquisition of subsidiaries (note 34)	-	24,160	94,523	10,421	1,907	-	2,062	-	133,073
Disposal of subsidiaries (note 36)	-	-	-	-	(805)	(11,888)	(490)	(1,692)	(14,875)
Disposals and write-offs	(114)	(759)	(691)	(783)	(1,685)	(699)	(864)	(12,473)	(18,068)
Surplus on revaluation	-	14,613	-	-	-	-	-	-	14,613
Depreciation provided during the year (note 6)	(69,581)	(86,192)	(58,799)	(185,825)	(48,870)	(28,544)	(5,128)	-	(482,939)
Transfer	-	37,841	91,747	230,910	22,241	83,235	-	(465,974)	-
Transfer from investment properties (note 14)	-	18,171	-	-	-	-	-	34,413	52,584
Impairment during the year (note 6)	-	-	-	-	-	-	-	(160)	(160)
Exchange realignment	42,353	65,005	68,489	164,188	10,612	85	2,101	31,971	384,804
At 31 December 2020, net of accumulated depreciation and impairment	<u>1,268,303</u>	<u>1,218,265</u>	<u>1,256,836</u>	<u>2,871,038</u>	<u>170,611</u>	<u>254,060</u>	<u>31,273</u>	<u>613,461</u>	<u>7,683,847</u>
At 31 December 2020:									
Cost	2,401,015	2,132,338	1,509,015	4,849,721	638,047	497,592	58,309	613,630	12,699,667
Accumulated depreciation and impairment	(1,132,712)	(914,073)	(252,179)	(1,978,683)	(467,436)	(243,532)	(27,036)	(169)	(5,015,820)
Net carrying amount	<u>1,268,303</u>	<u>1,218,265</u>	<u>1,256,836</u>	<u>2,871,038</u>	<u>170,611</u>	<u>254,060</u>	<u>31,273</u>	<u>613,461</u>	<u>7,683,847</u>

As at 31 December 2021, property ownership certificates of certain buildings with a net carrying value of HK\$98,360,000 (2020: HK\$110,204,000) have not been issued. The Group is in the process of obtaining the certificates.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 14. INVESTMENT PROPERTIES

	Completed at fair value HK\$'000	Under development at fair value HK\$'000	Under development at cost HK\$'000	Total HK\$'000
Carrying amount at 1 January 2020	12,305,807	3,028,634	2,843,132	18,177,573
Additions	350	892,151	–	892,501
Borrowing costs capitalised	–	11,662	–	11,662
Disposal of subsidiaries ( <i>note 36</i> )	(159,005)	–	–	(159,005)
Net gains/(losses) from fair value adjustments	(20,828)	778,107	–	757,279
Transfer to property, plant and equipment, net ( <i>note 13</i> )	(18,171)	–	(34,413)	(52,584)
Transfer from right-of-use assets ( <i>note 15(a)</i> )	61,465	–	–	61,465
Transfer from investment properties under development (“IPUD”) at cost to IPUD at fair value	–	2,808,719	(2,808,719)	–
Transfer from IPUD to completed investment properties	2,396,101	(2,396,101)	–	–
Transfer from completed properties held for sale to completed investment properties	528,609	–	–	528,609
Exchange realignment	719,946	357,994	–	1,077,940
Carrying amount at 31 December 2020 and 1 January 2021	<b>15,814,274</b>	<b>5,481,166</b>	–	<b>21,295,440</b>
Additions	–	<b>888,584</b>	–	<b>888,584</b>
Asset acquisitions through acquisition of subsidiaries ( <i>note 35</i> )	<b>8,088</b>	–	–	<b>8,088</b>
Borrowing costs capitalised	–	<b>40,784</b>	–	<b>40,784</b>
Net gains from fair value adjustments	<b>180,002</b>	<b>460,625</b>	–	<b>640,627</b>
Transfer from property, plant and equipment, net ( <i>note 13</i> )	<b>42,903</b>	–	–	<b>42,903</b>
Transfer from right-of-use assets ( <i>note 15(a)</i> )	<b>314,519</b>	–	–	<b>314,519</b>
Exchange realignment	<b>393,820</b>	<b>182,459</b>	–	<b>576,279</b>
Carrying amount at 31 December 2021	<b>16,753,606</b>	<b>7,053,618</b>	–	<b>23,807,224</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 14. INVESTMENT PROPERTIES (continued)

As at 31 December 2021, investment properties under development at fair value of HK\$7,053,618,000 (2020: HK\$4,323,483,000) were pledged to banks as securities for bank borrowings granted to subsidiaries of the Group (note 28).

Included in the above IPUD was a land parcel located in Shenzhen. This IPUD was carried at cost less any accumulated impairment losses as the directors were of the opinion that its fair value could not be reliably determined and therefore was measured at cost in the consolidated statement of financial position as at 1 January 2020.

After considering the construction plan was finalised and approved, the construction permit was obtained and construction costs can be reliably estimated, the Group concluded that the fair value of the related portion of IPUD can be reliably measured and transferred from the cost model to the fair value model with a carrying amount of HK\$2,808,719,000 at the time of transfer during the year ended 31 December 2020.

During the year ended 31 December 2020, the use of certain units in the properties held for sale has been changed upon the inception of operating leases with external third parties. As a result, the related portion of the properties held for sale was transferred to completed investment properties and a fair value gain of HK\$157,813,000 was recognised in profit or loss during the year ended 31 December 2020.

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 2021, the fair values have been determined by Vigers Appraisal & Consulting Limited and RHL Appraisal Limited, at an aggregate amount of HK\$23,807,224,000 (2020: HK\$21,295,440,000) 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, 40(a) and 41(B)(a) to the financial statements.

Further particulars of the Group's investment properties are included on pages 222 to 223.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

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

Fair value measurement as at 31 December 2020 using				
Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000		Total HK\$'000
Recurring fair value measurement for:				
Warehouse and residential/ non-residential properties	–	–	37,595	37,595
Commercial properties	–	–	15,429,970	15,429,970
Investment properties under development	–	–	5,481,166	5,481,166
Hotel properties	–	–	346,709	346,709
			<b>21,295,440</b>	<b>21,295,440</b>

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 (2020: Nil).

# NOTES TO FINANCIAL STATEMENTS

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## 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 2020	31,435	11,893,249	3,028,634	381,123	15,334,441
Additions	–	350	892,151	–	892,501
Borrowing costs capitalised	–	–	11,662	–	11,662
Disposal of subsidiaries	–	(159,005)	–	–	(159,005)
Net gains/(losses) from fair value adjustments	3,916	20,570	778,107	(45,314)	757,279
Transfer to property, plant and equipment, net	–	(18,171)	–	–	(18,171)
Transfer from right-of-use assets	–	61,465	–	–	61,465
Transfer from IPUD at cost to IPUD at fair value	–	–	2,808,719	–	2,808,719
Transfer from IPUD to completed investment properties	–	2,396,101	(2,396,101)	–	–
Transfer from completed properties held for sale to completed investment properties	–	528,609	–	–	528,609
Exchange realignment	2,244	706,802	357,994	10,900	1,077,940
Carrying amount at 31 December 2020 and at 1 January 2021	<b>37,595</b>	<b>15,429,970</b>	<b>5,481,166</b>	<b>346,709</b>	<b>21,295,440</b>
Additions	–	–	888,584	–	888,584
Borrowing costs capitalised	–	–	40,784	–	40,784
Asset acquisitions through acquisition of subsidiaries	8,088	–	–	–	8,088
Net gains/(losses) from fair value adjustments	(19,942)	186,747	460,625	13,197	640,627
Transfer from property, plant and equipment, net	29,955	12,948	–	–	42,903
Transfer from right-of-use assets	–	314,519	–	–	314,519
Exchange realignment	1,425	387,195	182,459	5,200	576,279
Carrying amount at 31 December 2021	<b>57,121</b>	<b>16,331,379</b>	<b>7,053,618</b>	<b>365,106</b>	<b>23,807,224</b>



# NOTES TO FINANCIAL STATEMENTS

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## 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	
			2021	2020
Commercial properties located in Hong Kong:				
Office	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.ft. and per month) Market rent (per sq.ft. and per month) Term yield Market yield	<b>HK\$25 to HK\$36</b> <b>HK\$31 to HK\$37</b> <b>4.5%</b> <b>4.5% – 4.6%</b>	HK\$25 to HK\$36 HK\$30 to HK\$32 3.9% 4.4%
Retail	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.ft. and per month) Market rent (per sq.ft. and per month) Term yield Market yield	<b>HK\$110</b> <b>HK\$85</b> <b>5.5%</b> <b>6%</b>	HK\$110 HK\$98 6% 6.85%
Hotel properties located in Hong Kong	Income capitalisation method	Market yield Estimated net income (per annum)	<b>3.79% – 3.99%</b> <b>HK\$19,521,000 to HK\$31,097,000</b>	6% HK\$28,000,000 to HK\$40,000,000
Commercial properties located in Mainland China:				
Office	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.m. and per month) Market rent (per sq.m. and per month) Term yield Market yield	<b>HK\$81 to HK\$1,613</b> <b>HK\$46 to HK\$1,452</b> <b>6.5% – 7.6%</b> <b>6.75% – 7.98%</b>	HK\$78 to HK\$120 HK\$77 to HK\$116 4.5% – 7% 5% – 8%
Retail	Income approach, more specifically, a term and reversion approach	Passing rent (per sq.m. and per month) Market rent (per sq.m. and per month) Term yield Market yield	<b>HK\$17 to HK\$712</b> <b>HK\$17 to HK\$228</b> <b>5% to 6%</b> <b>5.94% to 7%</b>	HK\$39 to HK\$618 HK\$40 to HK\$617 4.5% to 5.5% 5% to 6%
Retail	Income approach, more specifically, a term and reversion approach	Net market rent (per sq.m. and per month) Discount rate	<b>HK\$42 to HK\$489</b> <b>5%</b>	HK\$65 to HK\$336 4.9%
Office	Market approach	Market price (per sq.m.)	–	HK\$33,507 to HK\$42,894
Retail	Market approach	Market price (per sq.m.)	<b>HK\$11,760 to HK\$146,772</b>	HK\$11,882 to HK\$144,960

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 14. INVESTMENT PROPERTIES (continued)

### Fair value hierarchy (continued)

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

	Valuation techniques	Significant unobservable inputs	Range	
			2021	2020
Commercial properties located in Mainland China: (continued)				
Retail	Income capitalisation method	Term yield Reversionary yield Estimated rental per month (per sq.m.)	4.5% 5% HK\$61 to HK\$306	4.5% 5% HK\$70 to HK\$278
Car parking space	Market approach	Market price (per car parking space)	HK\$122,310 to HK\$183,465	HK\$118,820 to HK\$178,230
Hotel properties located in Mainland China	Income capitalisation method	Market yield Estimated net income (per annum)	4.27% to 6.3% HK\$11,330,000 to HK\$17,980,000	5.5% to 7.5% HK\$15,000,000 to HK\$27,000,000
Warehouse and residential/ non-residential properties	Market approach	Estimated land value (per sq.m.)	HK\$3,899	HK\$2,492 to HK\$5,450
	Depreciated replacement cost method	Estimated cost of construction (per sq.m.)	HK\$5,507 to HK\$5,629	HK\$5,064
Car parking	Market approach	Estimated unit rate (per car parking space)	HK\$236,174	–
Clubhouse	Market approach	Estimated unit rate (per sq.m)	HK\$5,813	–
Kindergarten	Income capitalisation method	Term yield	6%	–
		Reversionary yield	6.5%	–
		Estimated rental per month (per sq.m.)	HK\$31	–
Investment properties under development:				
The Northern land of the GDH City Project	Income approach, more specifically, a residual approach	Market yield for gross development value	6%	6%
		Estimated construction cost (per sq.m.)	HK\$7,342 to HK\$9,300	HK\$6,752 to HK\$8,440
		Developer's profit	12%	20%
The Southern land of the GDH City Project	Income approach, more specifically, a residual approach	Market yield for gross development value	6%	6%
		Estimated construction cost (per sq.m.)	HK\$7,342 to HK\$11,442	HK\$6,752 to HK\$10,578
		Developer's profit	19%	20%

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 14. INVESTMENT PROPERTIES (continued)

### Fair value hierarchy (continued)

#### *The term and reversion approach*

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

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

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

#### *The market approach*

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

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

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

#### *The residual approach*

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

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

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

# NOTES TO FINANCIAL STATEMENTS

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## 14. INVESTMENT PROPERTIES (continued)

### Fair value hierarchy (continued)

#### **A combination of the market and depreciated replacement cost approaches**

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

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

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

#### **Income capitalisation method**

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

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## 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 (2020: 2 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 (2020: 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:

	Right-of-use assets		
	Properties HK\$'000	Leasehold land HK\$'000 (note)	Total HK\$'000
Carrying amount at 1 January 2020	310,269	276,411	586,680
Additions	18,243	10,621	28,864
Business combinations through acquisition of subsidiaries (note 34)	–	64,360	64,360
Disposal of subsidiaries (note 36)	(23,546)	–	(23,546)
Transfer to investment properties (note 14)	(61,465)	–	(61,465)
Depreciation charge during the year (note 6)	(40,330)	(21,716)	(62,046)
Surplus on revaluation	36,967	–	36,967
Exchange realignment	16,067	18,786	34,853
Carrying amount at 31 December 2020 and 1 January 2021	<b>256,205</b>	<b>348,462</b>	<b>604,667</b>
Additions	<b>565,095</b>	<b>9,271</b>	<b>574,366</b>
Business combinations through acquisition of subsidiaries (note 34)	<b>5,883</b>	–	<b>5,883</b>
Transfer to investment properties (note 14)	<b>(314,519)</b>	–	<b>(314,519)</b>
Depreciation charge during the year (note 6)	<b>(62,098)</b>	<b>(15,433)</b>	<b>(77,531)</b>
Disposal and write-offs	<b>(16,359)</b>	–	<b>(16,359)</b>
Exchange realignment	<b>10,362</b>	<b>12,097</b>	<b>22,459</b>
Carrying amount at 31 December 2021	<b>444,569</b>	<b>354,397</b>	<b>798,966</b>

Note:

As at 31 December 2021, land use right certificates of certain leasehold land with a carrying value of HK\$85,748,000 (2020: HK\$81,746,000) have not been issued. The Group is in the process of obtaining the certificates.

As at 31 December 2021, the right-of-use assets with the carrying amount of Nil (2020: HK\$32,028,000) were pledged to a non-banking financial institution in the PRC as security for other borrowings granted to a subsidiary of the Group (note 28).

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 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:

	2021 HK\$'000	2020 HK\$'000
Carrying amount at 1 January	529,213	672,834
New leases	530,086	18,243
Business combinations through acquisition of subsidiaries (note 34)	6,542	–
Disposal of subsidiaries (note 36)	–	(164,097)
Accretion of interest recognised during the year (note 7)	26,973	30,830
COVID-19-related rent concessions from lessors	–	(7,547)
Payments	(72,715)	(65,107)
Disposal and write-offs	(16,657)	–
Exchange realignment	22,996	44,057
	<u>1,026,438</u>	<u>529,213</u>
Analysed into:		
Current portion	89,116	56,073
Non-current portion	937,322	473,140
	<u>937,322</u>	<u>473,140</u>

The maturity analysis of lease liabilities is disclosed in note 46 to the financial statements.

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

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	26,973	30,830
Depreciation charge of right-of-use assets	77,531	62,046
Expense relating to short-term leases	9,722	28,993
Variable lease payments not included in the measurement of lease liabilities	5,025	20,404
COVID-19-related rent concessions from lessors	–	(7,547)
	<u>119,251</u>	<u>134,726</u>

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 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\$1,464,009,000 (2020: HK\$1,129,853,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	1,389,590	1,228,410
After one year but within two years	988,780	956,322
After two years but within three years	567,830	592,101
After three years but within four years	308,305	342,394
After four years but within five years	154,310	246,844
After five years	158,735	338,185
	<b>3,567,550</b>	<b>3,704,256</b>

## 16. GOODWILL

	2021 HK\$'000	2020 HK\$'000
Cost and net carrying amount at 1 January	594,086	574,242
Business combinations through acquisition of subsidiaries (note 34)	194,682	–
Exchange realignment	16,189	19,844
	<b>804,957</b>	<b>594,086</b>

### 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:

	2021 HK\$'000	2020 HK\$'000
Water distribution operations	522,062	501,506
Sewage treatment operations	282,895	92,580
	<b>804,957</b>	<b>594,086</b>



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 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 9 to 32 years (2020: 10 to 33 years). The pre-tax discount rates applied to the cash flow projections range from 9% to 16% (2020: 11% to 16%).

The cash flow projections have been prepared based on the actual results of the relevant individual or groups of water distribution cash-generating units for the years ended 31 December 2021 and 2020. Cash flows for each of the water distribution cash-generating units depend principally on the pricing and volume of water distributed. Revenue from the water supply to the Hong Kong Special Administrative Region ("HKSAR") during the cash flow projection period is projected with reference to the latest Hong Kong Water Supply Agreement entered into in 2020 where the annual water revenue receivable from the HKSAR for the years 2021, 2022 and 2023 are HK\$4,821.41 million, HK\$4,950.51 million and HK\$5,016.35 million, respectively. No growth in the revenue from the water supply to the HKSAR is extrapolated beyond 2023 (no growth in the revenue was considered solely for the purposes of the impairment test to arrive at a conservative projection of cash flows and does not reflect the forecasted long-term industry growth or the Group's expectation of the business performance). Revenue for other projects is projected at growth rates of 1% to 3% per annum (2020: 2% to 5% per annum) over the projection periods. Operating expenses are expected to increase by 1% to 10% per annum (2020: 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 2 to 44 years (2020: 3 to 45 years). The pre-tax discount rates applied to the cash flow projections range from 9% to 15% (2020: 11% 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 (2020: 2% to 5% per annum) over the projection periods. Operating expenses are expected to increase by 1% to 5% per annum (2020: increase by 2% to 7% per annum) during the projection periods.

Based on the results of the impairment test of goodwill, in the opinion of the directors, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2021 (2020: Nil).

# NOTES TO FINANCIAL STATEMENTS

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## 17. OTHER INTANGIBLE ASSETS

	Licence HK\$'000	Trademark HK\$'000	Total HK\$'000
Cost at 1 January 2021, net of accumulated amortisation	6,706	23,319	30,025
Additions	11	–	11
Business combinations through acquisition of subsidiaries (note 34)	6,016	–	6,016
Amortisation during the year (note 6)	(1,333)	(1,239)	(2,572)
Exchange realignment	315	666	981
	<u>11,715</u>	<u>22,746</u>	<u>34,461</u>
At 31 December 2021, net of accumulated amortisation			
At 31 December 2021:			
Cost	14,493	25,157	39,650
Accumulated amortisation	(2,778)	(2,411)	(5,189)
	<u>11,715</u>	<u>22,746</u>	<u>34,461</u>
Net carrying amount			
Cost at 1 January 2020, net of accumulated amortisation	–	–	–
Additions	–	23,145	23,145
Business combinations through acquisition of subsidiaries (note 34)	7,453	–	7,453
Amortisation during the year (note 6)	(1,310)	(1,061)	(2,371)
Exchange realignment	563	1,235	1,798
	<u>6,706</u>	<u>23,319</u>	<u>30,025</u>
At 31 December 2020, net of accumulated amortisation			
At 31 December 2020:			
Cost	8,089	24,439	32,528
Accumulated amortisation	(1,383)	(1,120)	(2,503)
	<u>6,706</u>	<u>23,319</u>	<u>30,025</u>
Net carrying amount			

# NOTES TO FINANCIAL STATEMENTS

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## 18. INVESTMENTS IN ASSOCIATES

	2021 HK\$'000	2020 HK\$'000
Share of net assets	4,316,908	4,387,759
Goodwill on acquisition	153,037	149,171
	<b>4,469,945</b>	4,536,930
Less: Impairment	<b>(79,317)</b>	(79,317)
	<b>4,390,628</b>	4,457,613

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
Guangdong Yudean Jinghai Power Generation Co., Ltd. ("Yudean Jinghai")	RMB2,919,272,000	Mainland China	25%	Power plant operation
汕頭市粵海水務有限公司 (Shantou Guangdong Water Company Limited▲) ("Shantou Water Co")	RMB2,949,849,600	Mainland China	49%	Water distribution and waterworks construction operation

Yudean Jinghai and Shantou Water Co, which are considered as material associates of the Group, engage in power supply operation and water distribution and waterworks construction operation, respectively, and are accounted for using the equity method.

# NOTES TO FINANCIAL STATEMENTS

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## 18. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of Yudean Jinghai, adjusted for any differences in accounting policies and fair value adjustments and reconciled to the carrying amount in the consolidated financial statements:

	2021 HK\$'000	2020 HK\$'000
Current assets	1,862,157	1,389,585
Non-current assets	8,468,906	8,451,970
Goodwill on acquisition of the associate	17,570	17,570
Current liabilities	(4,928,566)	(2,910,510)
Non-current liabilities	(1,667,027)	(2,158,770)
	<u>3,753,040</u>	<u>4,789,845</u>
Net assets	<u>3,753,040</u>	<u>4,789,845</u>
	<u>3,735,470</u>	<u>4,772,275</u>
Net assets, excluding goodwill	<u>3,735,470</u>	<u>4,772,275</u>
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	25%	25%
Group's share of net assets of the associate, excluding goodwill	933,868	1,193,069
Goodwill on acquisition	17,570	17,570
Carrying amount of the investment	951,438	1,210,639
Dividend received	130,188	105,259
	<u>8,018,941</u>	<u>5,469,551</u>
Revenue	8,018,941	5,469,551
Profit/(loss) for the year	(638,324)	517,394
Other comprehensive income for the year	122,273	288,008
Total comprehensive income/(loss) for the year	<u>(516,051)</u>	<u>805,402</u>

# NOTES TO FINANCIAL STATEMENTS

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## 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:

	2021 HK\$'000	2020 HK\$'000
Current assets	2,038,488	2,172,158
Non-current assets	2,815,053	2,174,595
Goodwill on acquisition of the associate	98,990	96,166
Current liabilities	(520,212)	(184,432)
Non-current liabilities	(387,640)	(324,777)
	<u>4,044,679</u>	<u>3,933,710</u>
Net assets		
	<u>4,044,679</u>	<u>3,933,710</u>
Net assets, excluding goodwill	<u>3,945,689</u>	<u>3,837,544</u>
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the associate, excluding goodwill	1,933,388	1,864,242
Goodwill on acquisition	98,990	96,166
Carrying amount of the investment	2,032,378	1,960,408
Dividend received	42,911	38,661
	<u>712,223</u>	<u>471,641</u>
Revenue		
	712,223	471,641
Profit for the year	105,520	89,865
Other comprehensive income for the year	147,080	232,011
Total comprehensive income for the year	<u>252,600</u>	<u>321,876</u>

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

	2021 HK\$'000	2020 HK\$'000
Share of the associates' profits less losses for the year	68,366	42,868
Share of the associates' other comprehensive income	65,430	78,241
Share of the associates' total comprehensive income	133,796	121,109
Aggregate carrying amount of the Group's investments in the associates	<u>1,406,812</u>	<u>1,286,566</u>

# NOTES TO FINANCIAL STATEMENTS

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## 19. SERVICE CONCESSION ARRANGEMENTS

### (a) Operating concession rights

	Water distribution operations HK\$'000 <i>(note (i))</i>	Road and bridge operation HK\$'000 <i>(note (ii))</i>	Total HK\$'000
At 1 January 2021:			
Cost	28,160,342	3,867,552	32,027,894
Accumulated amortisation and impairment	(16,137,768)	(829,462)	(16,967,230)
Net carrying amount	<u>12,022,574</u>	<u>3,038,090</u>	<u>15,060,664</u>
At 1 January 2021, net of accumulated amortisation and impairment	12,022,574	3,038,090	15,060,664
Additions	3,603,485	710,620	4,314,105
Business combinations through acquisition of subsidiaries <i>(note 34)</i>	3,290,898	–	3,290,898
Amortisation during the year <i>(note 6)</i>	(1,032,876)	(217,105)	(1,249,981)
Impairment during the year <i>(note 6)</i>	(2,492)	–	(2,492)
Exchange realignment	277,084	96,856	373,940
At 31 December 2021, net of accumulated amortisation and impairment	<u>18,158,673</u>	<u>3,628,461</u>	<u>21,787,134</u>
At 31 December 2021:			
Cost	35,343,517	4,702,743	40,046,260
Accumulated amortisation and impairment	(17,184,844)	(1,074,282)	(18,259,126)
Net carrying amount	<u>18,158,673</u>	<u>3,628,461</u>	<u>21,787,134</u>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 19. SERVICE CONCESSION ARRANGEMENTS (continued)

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

	Water distribution operations HK\$'000 (note (i))	Road and bridge operation HK\$'000 (note (ii))	Total HK\$'000
At 1 January 2020:			
Cost	26,721,645	3,007,215	29,728,860
Accumulated amortisation and impairment	<u>(15,212,351)</u>	<u>(627,280)</u>	<u>(15,839,631)</u>
Net carrying amount	<u>11,509,294</u>	<u>2,379,935</u>	<u>13,889,229</u>
At 1 January 2020, net of accumulated amortisation and impairment	11,509,294	2,379,935	13,889,229
Additions	702,151	631,354	1,333,505
Business combinations through acquisition of subsidiaries (note 34)	490,034	–	490,034
Amortisation during the year (note 6)	(908,332)	(153,215)	(1,061,547)
Exchange realignment	<u>229,427</u>	<u>180,016</u>	<u>409,443</u>
At 31 December 2020, net of accumulated amortisation and impairment	<u>12,022,574</u>	<u>3,038,090</u>	<u>15,060,664</u>
At 31 December 2020:			
Cost	28,160,342	3,867,552	32,027,894
Accumulated amortisation and impairment	<u>(16,137,768)</u>	<u>(829,462)</u>	<u>(16,967,230)</u>
Net carrying amount	<u>12,022,574</u>	<u>3,038,090</u>	<u>15,060,664</u>



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 19. SERVICE CONCESSION ARRANGEMENTS (continued)

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

Notes:

- (i) The operating concession rights of the Group's water distribution operations mainly arise from the operating concession of WaterCo, a subsidiary of GH Water Holdings, details of which are as follows:

Prior to the acquisition by the Group of an 81% interest in GH Water Holdings in 2000, WaterCo acquired the operating right from Guangdong Holdings to operate the water distribution business, which supplies natural water to the HKSAR, Shenzhen and Dongguan, for a period of 30 years commencing from 18 August 2000. The operating right also grants WaterCo a right and licence to take up to 2.423 billion cubic metres of natural water annually from the Dongjiang River at Qiaotou Township in Dongguan, the exclusive right to supply natural water to the HKSAR and the non-exclusive right to supply natural water to Shenzhen and Dongguan for a period of 30 years commencing from 18 August 2000 or such longer period as extended in accordance with the terms stipulated in a service concession agreement dated 18 August 2000 entered into between the Guangdong Provincial Government (the "GPG") and WaterCo (the "Concession Agreement"). Upon dissolution of WaterCo after the expiration of the operating period, WaterCo is required, at its cost and expense and without compensation, to return all of the assets related to the operating right to the GPG.

At 31 December 2021 and 2020, 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 2021. 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 2021 and 2020.

At 31 December 2021 and 2020, 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 2021 and 2020 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 19. SERVICE CONCESSION ARRANGEMENTS (continued)

### (b) Receivables under service concession arrangements

	2021 HK\$'000	2020 HK\$'000
Receivables under service concession arrangements	15,388,206	9,547,519
Less: Portion classified as current assets	(485,485)	(155,694)
	<u>14,902,721</u>	<u>9,391,825</u>
Non-current portion	<u>14,902,721</u>	<u>9,391,825</u>

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

- (c) As at 31 December 2021, bank and other loans of HK\$8,866,063,000 (2020: HK\$2,957,442,000) were secured by the pledge of revenue entitlement under certain water distribution, sewage treatment and toll road concession arrangements (note 28).

### (d) Contract assets

As at 31 December 2021, contract assets which were presented as operating concession rights and receivables under service concession arrangements amounted to HK\$3,090,006,000 (31 December 2020: HK\$1,754,150,000; 1 January 2020: HK\$38,482,000) and HK\$2,651,229,000 (31 December 2020: HK\$3,640,568,000; 1 January 2020: HK\$1,424,551,000), 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 overall increase in contract assets in 2021 and 2020 was result of the increase in the ongoing service concession arrangements in the initial construction stage and more unbilled amounts were noted at the end of each year. 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 2021 in respect of these assets (2020: Nil).

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## 20. RECEIVABLES UNDER A COOPERATIVE ARRANGEMENT

Balance as at 31 December 2021 mainly represented an advance of RMB1,724,362,000 (equivalent to approximately HK\$2,109,067,000) (2020: RMB1,453,023,000 (equivalent to approximately HK\$1,726,482,000)) and accrued interest of RMB151,920,000 (equivalent to approximately HK\$185,814,000) (2020: RMB112,849,000 (equivalent to approximately HK\$134,087,000)) 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 2021 and 2020, the loss allowance was assessed to be minimal.

## 21. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

The normal operating cycle of the Group’s property development generally ranges from one to three years.

At the end of the reporting period, properties held for sale under development of HK\$33,852,306,000 (2020: HK\$6,213,674,000), which are expected to be completed within the normal operating cycle and classified as current assets, are expected to be recovered after twelve months from the end of the reporting period.

At the end of the reporting period, properties held for sale under development of HK\$4,451,985,000 (2020: HK\$1,351,819,000) and completed properties held for sale of Nil (2020: HK\$72,531,000) 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

	2021 HK\$’000	2020 HK\$’000
Non-current:		
Unlisted equity investments, at fair value	30,568	15,031

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. During the year ended 31 December 2021, the Group received dividends in the amount of HK\$2,000 (2020: HK\$1,013,000) from 廣州市八達工程有限公司 (Guangzhou Bada Engineering Co Company Limited▲), a company incorporated in the PRC.

The tax effect for the fair value change during the year amounted to Nil (2020: HK\$45,000).

During the year ended 31 December 2021, the Group designated its investment in 新樂市嘉潤達污水處理有限公司 (Xinle Jiarunda Sewage Treatment Co. Ltd.▲), a company incorporated in the PRC, at fair value through other comprehensive income as the investment is held for strategic purposes.

# NOTES TO FINANCIAL STATEMENTS

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## 23. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Raw materials	296,631	206,877
Finished goods	12,584	16,403
	<u>309,215</u>	<u>223,280</u>

## 24. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2021 HK\$'000	2020 HK\$'000
Trade and bills receivables, net of impairment	(i)	2,134,546	1,097,927
Other receivables, prepayments and deposits	(ii)	2,370,239	4,293,582
Contract assets	(iii)	524,700	192,804
Contract costs	(iv)	62,201	54,645
Due from the ultimate holding company	40(d)	2,324	832
Due from fellow subsidiaries	40(d)	15,480	6,568
Due from associates	40(d)	14,891	25,339
Loan to a fellow subsidiary	40(d)	–	51,954
		<u>5,124,381</u>	<u>5,723,651</u>
Less: Portion classified as non-current assets		<u>(613,588)</u>	<u>(533,271)</u>
Current portion		<u>4,510,793</u>	<u>5,190,380</u>

Except for trade and bills receivables as detailed below, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 24. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Notes:

- (i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The various group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The Group's trade and bills receivables relate principally to the water distribution, sewage treatment and electricity supply businesses. The Group has a certain concentration of credit risk whereby 5% (2020: 11%) 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:

	2021 HK\$'000	2020 HK\$'000
Current or less than 3 months past due	1,646,679	967,479
3 months to 6 months past due	161,285	5,706
6 months to 1 year past due	128,548	52,748
More than 1 year past due	252,430	99,255
	<b>2,188,942</b>	1,125,188
Less: Loss allowance	<b>(54,396)</b>	(27,261)
	<b>2,134,546</b>	1,097,927

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2021 HK\$'000	2020 HK\$'000
At 1 January	27,261	23,765
Business combinations through acquisition of subsidiaries (note 34)	33,342	3,127
Reversal of impairment losses, net (note 6)	(1,874)	(457)
Amount written off	(3,169)	(857)
Exchange realignment	(1,164)	1,683
	<b>54,396</b>	27,261

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 24. RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Notes: (continued)

(i) (continued)

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

**As at 31 December 2021**

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

As at 31 December 2020

	Current	Past due			Total
		Less than 1 year	1 to 2 years	Over 2 years	
Expected credit loss rate	0.01%	0.38%	2.61%	37.45%	2.42%
Gross carrying amount (HK\$'000)	929,220	96,713	29,804	69,451	1,125,188
Expected credit losses (HK\$'000)	110	365	777	26,009	27,261

(ii) As at 31 December 2020, the balance included an amount of HK\$2,954,000,000 for deposits for the land parcels in Foshan City and Zhongshan City, the PRC. None of the assets in other receivables, prepayments and deposits is either past due or impaired. The financial assets included in the above balance relate to receivables for which there was no recent history of default. As at 31 December 2020, the loss allowance was assessed to be minimal.

(iii) As at 31 December 2021, contract assets which represented the services consideration received amounted to HK\$524,700,000 (31 December 2020: HK\$192,804,000; 1 January 2020: HK\$136,136,000).

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. The increase in contract assets in 2021 and 2020 was the result of the increase in the ongoing provision of installation services during the years.

(iv) As at 31 December 2021, contract costs which represented the sales commissions paid directly attributable to obtaining contracts amounted to HK\$62,201,000 (31 December 2020: HK\$54,645,000; 1 January 2020: HK\$26,119,000). The increase in contract costs in 2021 and 2020 was the result of the increase of the ongoing sales of properties at the end of the year.

# NOTES TO FINANCIAL STATEMENTS

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## 25. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	Notes	2021 HK\$'000	2020 HK\$'000
Cash and bank balances	(i)	7,928,297	6,010,768
Non-pledged time deposits with:			
Original maturity of more than three months when acquired (note 37(c))		761,473	1,169,735
Original maturity of less than three months when acquired		905,330	3,186,981
Cash and cash equivalents as stated in the consolidated statement of financial position as at 31 December (note 37(c))	(ii)	9,595,100	10,367,484
Restricted bank balances	(iii)	469,412	117,254
Cash and cash equivalents and restricted bank balances <sup>#</sup>		10,064,512	10,484,738

### Notes:

- (i) As at 31 December 2021, included in the balance represented bank deposits of RMB2,670,880,000 (equivalent to approximately HK\$3,266,753,000) (2020: RMB221,585,000 (equivalent to approximately HK\$263,287,000)) 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) Balance at 31 December 2021 mainly represented pre-sale proceeds from properties held for sale under development placed at designated bank accounts under supervision pursuant to the relevant regulations in the PRC amounting to approximately HK\$442,467,000 (2020: HK\$96,499,000).
- <sup>#</sup> At the end of the reporting period, these balances included an amount of HK\$8,570,891,000 (2020: HK\$8,887,535,000) which was denominated in Renminbi ("RMB"). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 26. PAYABLES, ACCRUALS AND OTHER LIABILITIES, AND CONTRACT LIABILITIES

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

	Notes	2021 HK\$'000	2020 HK\$'000
Trade and bills payables	(i)	3,827,705	1,330,800
Accruals, other payables and other liabilities		11,043,119	6,409,743
Put option on non-controlling interests in a subsidiary	(ii)	704,894	652,794
Payables for land use rights		6,239,063	–
Defined benefit obligations	43	134,144	–
Deferred revenue		307,845	292,874
Due to the immediate holding company	40(d)	44,509	25,886
Due to the ultimate holding company	40(d)	125,323	20,392
Due to fellow subsidiaries	40(d)	921,409	49,097
Due to associates	40(d)	1,319	19,516
		<b>23,349,330</b>	8,801,102
Less: Portion classified as non-current liabilities	29	<b>(1,565,739)</b>	(1,919,598)
Current portion		<b>21,783,591</b>	6,881,504

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:

	2021 HK\$'000	2020 HK\$'000
Within 3 months	3,207,803	1,260,388
3 months to 6 months	188,216	67,009
6 months to 1 year	431,686	3,403
	<b>3,827,705</b>	1,330,800

- (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.

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 26. PAYABLES, ACCRUALS AND OTHER LIABILITIES, AND CONTRACT LIABILITIES

(continued)

### (b) Contract liabilities

	Note	31 December 2021 HK\$'000	31 December 2020 HK\$'000	1 January 2020 HK\$'000
<i>Advances received from customers</i>				
Water distribution, sewage treatment and construction services		955,117	643,006	382,353
Sale of properties		2,287,380	2,308,677	2,291,143
Property management service		4,733	3,805	23,415
Sale of goods		397,972	408,699	371,352
Sale of electricity		13,995	11,041	8,183
Loyalty points programme		18,637	13,800	15,258
		<b>3,677,834</b>	3,389,028	3,091,704
Less: Portion classified as non-current liabilities	29	(19,160)	(7,516)	–
Current portion		<b>3,658,674</b>	3,381,512	3,091,704

Notes:

- (i) Contract liabilities include advances received for the provision of water distribution, sewage treatment and construction services, property management service, and the sale of properties, goods and electricity, and a portion of the transaction price allocated to the loyalty points programme. The increase in contract liabilities in 2021 and 2020 was mainly due to the increase in advances received from customers in relation to the provision of water distribution, sewage treatment and construction services during the years.
- (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:

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Water distribution, sewage treatment and construction services	444,360	365,898
Sale of properties	2,302,137	1,805,408
Property management service	3,857	23,604
Sale of goods and loyalty points programme	128,159	180,228
Sale of electricity	11,193	8,249
	<b>2,889,706</b>	2,383,387

# NOTES TO FINANCIAL STATEMENTS

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## 27. BALANCES WITH NON-CONTROLLING EQUITY HOLDERS OF SUBSIDIARIES

Balance as at 31 December 2021 included proceeds of HK\$791,568,000 (2020: HK\$768,981,000) from the sale of properties to 廣州市番禺資訊技術投資發展有限公司, a non-controlling equity holder of a subsidiary, which is unsecured and non-interest-bearing. The balance will be settled by way of the payable to the non-controlling interests of Wanye of a capital reduction to be effected. As at 31 December 2021 and the date of approval of these financial statements, the Group and the non-controlling shareholders 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 from 2023 to 2024.

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

## 28. BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate	Maturity	HK\$'000	Effective interest rate	Maturity	HK\$'000
<b>Current</b>						
Bank loans – unsecured	0.41% – 6.70%	2022	4,629,902	0.55% – 4.51%	2021	4,659,081
Bank loans – secured	1.50% – 6.37%	2022	1,707,413	3.75% – 7.40%	2021	899,850
Other loans – unsecured	0.64% – 3.84%	On demand	78,216	0.64% – 6.83%	On demand	69,902
Other loans – unsecured	–	On demand	13,086	–	On demand	12,713
Other loans – unsecured	4.00% – 5.85%	2022	475,410	–	–	–
Other loans – secured	–	–	–	6.41%	On demand	24,996
Other loans – secured	4.05%	2022	24,462	4.05%	2021	23,764
			<b>6,928,489</b>			<b>5,690,306</b>
<b>Non-current</b>						
Bank loans – unsecured	0.61% – 6.50%	2023 – 2039	4,157,481	4.04% – 4.51%	2022 – 2032	368,343
Bank loans – secured	1.95% – 6.37%	2023 – 2049	13,104,111	3.75% – 6.41%	2022 – 2040	4,758,578
Other loans – unsecured	1.80% – 6.50%	2023 – 2040	4,257,728	1.80% – 4.90%	2024 – 2035	75,686
Other loans – secured	4.05%	2023	293,544	4.05%	2022 – 2023	308,932
			<b>21,812,864</b>			<b>5,511,539</b>
Total bank and other borrowings			<b>28,741,353</b>			<b>11,201,845</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 28. BANK AND OTHER BORROWINGS (continued)

	2021 HK\$'000	2020 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year/on demand	6,337,315	5,558,931
In the second year	3,191,621	255,799
In the third to fifth years, inclusive	7,300,438	2,490,748
Over five years	6,769,533	2,380,374
	<b>23,598,907</b>	<b>10,685,852</b>
Other loans repayable:		
Within one year/on demand	591,174	131,375
In the second year	1,329,064	23,764
In the third to fifth years, inclusive	2,833,687	329,185
Over five years	388,521	31,669
	<b>5,142,446</b>	<b>515,993</b>
Total bank and other borrowings	<b>28,741,353</b>	<b>11,201,845</b>
Less: Portion classified as current liabilities	<b>(6,928,489)</b>	<b>(5,690,306)</b>
Non-current portion	<b>21,812,864</b>	<b>5,511,539</b>

### Notes:

- (a) As at 31 December 2021 and 2020, all bank and other borrowings were denominated in Hong Kong dollars, except for bank and other loans of HK\$21,482,460,000 (2020: HK\$6,562,963,000) which were denominated in RMB.
- (b) As at 31 December 2021, bank and other borrowings of HK\$2,832,720,000 (2020: HK\$1,846,714,000) are secured by the pledge of certain of Group's completed properties held for sale, properties held for sale under development, investment properties under development and right-of-use assets amounting to Nil (2020: HK\$72,531,000); HK\$4,451,985,000 (2020: HK\$1,351,819,000); HK\$7,053,618,000 (2020: HK\$4,323,483,000); and Nil (2020: HK\$32,028,000), respectively.
- (c) As at 31 December 2021, secured bank loans of HK\$1,390,616,000 (2020: HK\$712,920,000) and HK\$1,147,268,000 (2020: Nil) were also secured by pledges of 100% and 79% equity interests of certain non-wholly-owned subsidiaries, respectively.
- (d) Pursuant to the relevant bank loan agreement, a bank borrowing of HK\$892,863,000 (2020: HK\$879,268,000) is secured by a pledged bank deposit account. As at 31 December 2021, there was nil cash and bank deposit in this designated account (2020: Nil).
- (e) As at 31 December 2021, bank and other loans of HK\$8,866,063,000 (2020: HK\$2,957,442,000) were secured by the pledge of revenue entitlement under certain water distribution, sewage treatment and toll road concession arrangements.
- (f) As at 31 December 2021, included in secured and unsecured other borrowings represented a loan from Guangdong Holdings of HK\$2,130,640,000 (2020: Nil) and loans from fellow subsidiaries of HK\$2,004,519,000 (2020: a loan from a fellow subsidiary of HK\$332,696,000) (note 40(d)).

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 29. OTHER LIABILITIES AND CONTRACT LIABILITIES

	Notes	2021 HK\$'000	2020 HK\$'000
Advance	(i)	–	118,200
Deferred revenue		299,131	292,874
Deposits received		234,914	203,693
Put option on non-controlling interests in a subsidiary	26(a)(ii)	–	652,794
Defined benefit obligations	26(a)	134,144	–
Other payables and accruals		897,550	652,037
		<hr/>	<hr/>
Contract liabilities	26(a)	1,565,739	1,919,598
	26(b)	19,160	7,516
		<hr/>	<hr/>
		<b>1,584,899</b>	<b>1,927,114</b>
		<hr/> <hr/>	<hr/> <hr/>

Note:

- (i) In prior years, the Government of the HKSAR granted a loan facility with a principal amount of HK\$2,364 million (the "Loan Facility") to the GPG for the purpose of the Phase IV Renovation Project. Pursuant to the Concession Agreement, the Loan Facility was utilised for the construction of the Phase IV Renovation Project. Upon the completion of the Phase IV Renovation Project during the year ended 31 December 2003, the Group acquired and recorded the assets of the Phase IV Renovation Project and assumed the repayment obligations of the Loan Facility from the GPG. The outstanding Loan Facility is settled through the deduction of future water revenue to be received by the Group from the Government of the HKSAR, by an annual amount of HK\$118,200,000 for 20 years commencing from December 2003.

As at 31 December 2021, the aggregate carrying amount of the advance amounted to HK\$118,200,000 (2020: HK\$236,400,000), in which Nil (2020: HK\$118,200,000) and HK\$118,200,000 (2020: HK\$118,200,000) were grouped in non-current liabilities and current liabilities, respectively.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 30. DEFERRED TAX

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

### Deferred tax liabilities

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

### Deferred tax assets

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 30. DEFERRED TAX (continued)

### Deferred tax liabilities

	2020							
	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 2020	3,278,803	110,783	518,330	1,251,766	130,899	799,137	94,001	6,183,719
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	(959,719)	(4,310)	26,078	223,904	-	9,749	57,551	(646,747)
Deferred tax transferred to revaluation reserve	-	-	-	-	12,895	-	45	12,940
Business combinations through acquisition of subsidiaries (note 34)	50,808	5,823	-	-	-	-	-	56,631
Disposal of subsidiaries (note 36)	-	-	-	-	-	-	(5,979)	(5,979)
Exchange differences	157,028	8,130	42,568	82,415	9,152	57,104	8,893	365,290
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2020	<u>2,526,920</u>	<u>120,426</u>	<u>586,976</u>	<u>1,558,085</u>	<u>152,946</u>	<u>865,990</u>	<u>154,511</u>	<u>5,965,854</u>

### Deferred tax assets

	2020							
	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 2020	(1,245)	(1,340)	(40,328)	(3,814)	(127,688)	(111,097)	(100,436)	(385,948)
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (note 10)	51	(307)	12,290	578	(53,028)	(211,591)	(15,162)	(267,169)
Disposal of subsidiaries (note 36)	-	-	-	-	-	-	6,727	6,727
Exchange differences	(77)	(103)	(547)	(214)	(12,595)	(18,983)	(5,425)	(37,944)
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December 2020	<u>(1,271)</u>	<u>(1,750)</u>	<u>(28,585)</u>	<u>(3,450)</u>	<u>(193,311)</u>	<u>(341,671)</u>	<u>(114,296)</u>	<u>(684,334)</u>



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 30. DEFERRED TAX (continued)

The Group has unrecognised tax losses arising in Hong Kong of approximately HK\$249,448,000 (2020: HK\$255,047,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has unrecognised tax losses arising in Mainland China of HK\$1,065,370,000 (2020: HK\$992,917,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the directors considered that it is not probable that sufficient taxable profits will be available against which the unused tax losses can be utilised by the Group.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and associates established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021, except for withholding tax provided for under deferred tax liabilities, the aggregate amount of temporary differences associated with unremitted earnings that are subject to withholding taxes of the Group's subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$5,917,063,000 (2020: HK\$2,129,331,000).

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

## 31. SHARE CAPITAL

### Shares

	2021 HK\$'000	2020 HK\$'000
Issued and fully paid:		
6,537,821,440 (2020: 6,537,821,440) ordinary shares	<b>8,966,177</b>	8,966,177

## 32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

- (i) Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are established/registered in Mainland China has been transferred to the expansion fund reserve which is restricted as to use.
- (ii) The capital reserve mainly represents the capital reserve arising from group reorganisations in prior years.
- (iii) The defined benefit plan reserve represents remeasurement of gains and losses arising from the defined benefit plans of certain subsidiaries and an associate, comprising actuarial gains and losses and the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability.

# NOTES TO FINANCIAL STATEMENTS

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## 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:

	2021	2020
Percentage of equity interest held by GDH Teem's non-controlling interests	<b>23.87%</b>	23.87%
Profit for the year allocated to GDH Teem's non-controlling interests	<b>323,394</b>	833,036
Dividends paid to GDH Teem's non-controlling interests	<b>128,067</b>	47,790
Accumulated balances of GDH Teem's non-controlling interests at the end of the reporting period	<b>6,915,160</b>	6,404,564

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

	2021 HK\$'000	2020 HK\$'000
Revenue	<b>2,405,083</b>	3,517,475
Changes in fair value of investment properties	<b>125,474</b>	700,612
Total expenses, net	<b>(1,485,259)</b>	(2,383,887)
Profit for the year	<b>1,045,298</b>	1,834,200
Total comprehensive income for the year	<b>1,619,486</b>	3,023,837
Current assets	<b>7,143,937</b>	10,223,374
Non-current assets	<b>18,657,127</b>	13,867,081
Current liabilities	<b>(2,116,784)</b>	(2,426,653)
Non-current liabilities	<b>(3,179,920)</b>	(2,538,027)
Net cash flows from operating activities	<b>4,294,300</b>	1,434,846
Net cash flows used in investing activities	<b>(140,184)</b>	(83,673)
Net cash flows used in financing activities	<b>(4,033,876)</b>	(1,349,218)
Effect of foreign exchange rate changes, net	<b>17,769</b>	31,590
Net increase in cash and cash equivalents	<b>138,009</b>	33,545

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 34. BUSINESS COMBINATIONS THROUGH ACQUISITION OF SUBSIDIARIES

### (a) Year ended 31 December 2021

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 34. BUSINESS COMBINATIONS THROUGH ACQUISITION OF SUBSIDIARIES (continued)

### (a) Year ended 31 December 2021 (continued)

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 34. BUSINESS COMBINATIONS THROUGH ACQUISITION OF SUBSIDIARIES (continued)

### (a) Year ended 31 December 2021 (continued)

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

The Group incurred transaction costs of HK\$5,879,000 in connection with the acquisitions. The transaction costs have been included in administrative expenses in the consolidated statement of profit or loss.

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

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

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

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

### (b) Year ended 31 December 2020

During the year ended 31 December 2020, the Group acquired a number of subsidiaries and business operations which are principally engaged in water distribution, sewage treatment business and research and development activities in the PRC. Details of these acquisitions are as follows:

- (i) In July 2020, the Group acquired a 75% equity interest in Harbin Guangdong Water Technology Co., Ltd. (formerly known as Harbin Institute of Technology Zhongbaixin Software Base Co., Ltd.) and its subsidiaries (collectively, the "Harbin Group") from an independent third party at a cash consideration of RMB60,418,000 (equivalent to approximately HK\$66,146,000). The Harbin Group is principally engaged in water quality research and water resources technology development and innovation in the PRC;
- (ii) In August and September 2020, the Group acquired six companies in Yunfu City from certain independent third parties at a total cash consideration of RMB19,930,000 (equivalent to approximately HK\$22,515,000). These companies are mainly engaged in the water distribution and sewage treatment businesses in the PRC; and

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 34. BUSINESS COMBINATIONS THROUGH ACQUISITION OF SUBSIDIARIES (continued)

### (b) Year ended 31 December 2020 (continued)

- (iii) In December 2020, the Group acquired a 51% equity interest in Guangdong Shaotou Water Co., Ltd. from an independent third party, at a cash consideration of RMB218,842,000 (equivalent to approximately HK\$257,862,000). Guangdong Shaotou Water Co., Ltd. is principally engaged in the water distribution 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.

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

	HK\$'000
Property, plant and equipment	133,073
Right-of-use assets	64,360
Other intangible assets	7,453
Operating concession rights	490,034
Receivables under service concession arrangements	119,889
Equity investment designated at fair value through other comprehensive income	3,722
Receivables, prepayments and other receivables	177,357
Cash and cash equivalents	104,019
Restricted bank balances	7,325
Inventories	5,922
Payables, accruals and other liabilities	(290,823)
Bank and other borrowings	(82,888)
Contract liabilities	(30,031)
Tax payables	(8,521)
Deferred tax liabilities	(56,631)
	<hr/>
Total identifiable net assets at fair values	644,260
Non-controlling interests	(297,737)
	<hr/>
	346,523
	<hr/> <hr/>
Satisfied by:	
Cash consideration	343,146
Other payables	3,377
	<hr/>
	346,523
	<hr/> <hr/>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 34. BUSINESS COMBINATIONS THROUGH ACQUISITION OF SUBSIDIARIES (continued)

### (b) Year ended 31 December 2020 (continued)

As at the dates of acquisitions, the fair values of the receivables were their gross contractual amounts, of which trade receivables of HK\$3,127,000 were expected to be uncollectible.

The Group incurred transaction costs of HK\$2,522,000 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:

	HK\$'000
Cash consideration	(343,146)
Cash and cash equivalents acquired	<u>104,019</u>
Net outflow of cash and cash equivalents	
included in cash flows used in investing activities	(239,127)
Transaction costs for the acquisitions included in cash flows from operating activities	<u>(2,522)</u>
	<u><u>(241,649)</u></u>

Since the acquisitions, the above newly acquired businesses contributed revenue of HK\$90,720,000 and net loss of HK\$31,913,000 to the Group for the year ended 31 December 2020.

Had the combinations taken place at the beginning of the year ended 31 December 2020, the revenue and the profit of the Group for that year would have been HK\$23,326,567,000 and HK\$5,642,036,000, respectively.

## 35. ASSET ACQUISITIONS THROUGH ACQUISITION OF SUBSIDIARIES

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

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

The vendors of both transactions are wholly-owned subsidiaries of Guangdong Holdings.



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 35. ASSET ACQUISITIONS THROUGH ACQUISITION OF SUBSIDIARIES (continued)

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

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## 36. DISPOSAL OF SUBSIDIARIES

On 1 September 2020, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in 廣東粵海天河城商業管理有限公司 (GDH Teem Commercial Management Co., Ltd.▲) (formerly known as 廣東天河城物業運營管理有限公司 and 廣東天河城物業管理有限公司) (“Teem Management Co.”) to 粵海物業管理有限公司 (Yuehai Property Management Co., Ltd.) (“Yuehai Property Management”), a direct non-wholly owned subsidiary of the Guangdong Holdings at a consideration of RMB97,584,000 (equivalent to approximately HK\$109,810,000). The disposal was completed on 11 September 2020.

On 19 November 2020, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in 深圳市粵海悅生活物業管理有限公司 (Shenzhen Yuehai Yueshenghuo Property Management Co., Ltd) (“Yuehai Yueshenghuo”) to Yuehai Property Management at a consideration of RMB6,907,000 (equivalent to approximately HK\$7,773,000). The disposal was completed on 23 November 2020.

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

	HK\$'000
Property, plant and equipment	14,875
Investment properties	159,005
Right-of-use assets	23,546
Deferred tax assets	6,727
Receivables, prepayments and other receivables	89,363
Inventories	402
Restricted bank balances	3,376
Cash and cash equivalents	20,665
Payables, accruals and other liabilities	(69,029)
Contract liabilities	(20,057)
Tax payables	(8,978)
Lease liabilities	(164,097)
Deferred tax liabilities	(5,979)
Non-controlling interests	(9,045)
	<hr/>
	40,774
Net gain on disposal of subsidiaries	<hr/> 76,809
	<hr/> <hr/>
	117,583
	<hr/> <hr/>
Satisfied by cash	117,583

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

	HK\$'000
Cash consideration	117,583
Cash and cash equivalents disposed of	<hr/> (20,665)
	<hr/> <hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	96,918

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 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\$565,095,000 (2020: HK\$18,243,000) and HK\$530,086,000 (2020: HK\$18,243,000), respectively, in respect of lease arrangements for properties.
- (ii) During the year, the Group settled an amount of HK\$118,200,000 (2020: HK\$118,200,000) in relation to the Loan Facility by deducting it against the water revenue receivable from the Government of the HKSAR. Details of the Loan Facility are set out in note 29 to the financial statements.
- (iii) During the year ended 31 December 2021, non-controlling equity holders of the Group contributed paid-up capital of HK\$46,831,000 by way of asset injection. The amount of HK\$46,831,000 was included in receivables under service concession arrangements as at 31 December 2021.
- (iv) As at 31 December 2021, the Group had payables for property, plant and equipment of HK\$56,239,000 (2020: HK\$88,508,000), for investment properties of HK\$168,417,000 (2020: HK\$343,448,000) and for operating concession rights of HK\$1,201,020,000 (2020: Nil) which were included in payables, accruals and other liabilities.
- (v) As at 31 December 2021, the Group had dividend payables to non-controlling equity holders of the Group of HK\$240,157,000 (2020: HK\$128,997,000), of which HK\$98,769,000 (2020: HK\$56,631,000) was included in payables, accruals and other liabilities and HK\$141,388,000 (2020: HK\$72,366,000) was included in amounts due to non-controlling equity holders of subsidiaries.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (b) Changes in liabilities arising from financing activities

	Dividend payables to shareholders HK\$'000	Bank and other borrowings HK\$'000	Lease liabilities HK\$'000	Amounts due to the ultimate holding company and fellow subsidiaries HK\$'000
At 1 January 2020	–	8,137,278	672,834	–
Changes from financing cash flows	(3,801,090)	2,608,476	(65,107)	2,113
Dividends	3,801,090	–	–	–
New leases	–	–	18,243	–
Interest expense	–	–	30,830	–
COVID-19-related rent concessions from lessors	–	–	(7,547)	–
Increase arising from acquisition of subsidiaries (note 34)	–	82,888	–	–
Decrease arising from disposal of subsidiaries (note 36)	–	–	(164,097)	–
Foreign exchange movement	–	373,203	44,057	3,477
At 31 December 2020 and at 1 January 2021	–	<b>11,201,845</b>	<b>529,213</b>	<b>5,590</b>
Changes from financing cash flows	<b>(3,888,042)</b>	<b>15,038,824</b>	<b>(72,715)</b>	<b>(5,667)</b>
Dividends	<b>3,888,042</b>	–	–	–
New leases	–	–	<b>530,086</b>	–
Interest expense	–	–	<b>26,973</b>	–
Increase arising from business combinations through acquisition of subsidiaries (note 34)	–	<b>1,712,874</b>	<b>6,542</b>	–
Increase arising from asset acquisitions through acquisition of subsidiaries (note 35)	–	<b>352,330</b>	–	–
Disposal and write-offs	–	–	<b>(16,657)</b>	–
Foreign exchange movement	–	<b>435,480</b>	<b>22,996</b>	<b>77</b>
At 31 December 2021	–	<b>28,741,353</b>	<b>1,026,438</b>	–

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (c) Cash and cash equivalents

	2021 HK\$'000	2020 HK\$'000
Cash and cash equivalents as stated in the consolidated statement of financial position as at 31 December ( <i>note 25</i> )	9,595,100	10,367,484
Non-pledged time deposits with original maturity of more than three months when acquired ( <i>note 25</i> )	<u>(761,473)</u>	<u>(1,169,735)</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows as at 31 December	<u><u>8,833,627</u></u>	<u><u>9,197,749</u></u>

### (d) Total cash outflow for leases

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

	2021 HK\$'000	2020 HK\$'000
Within operating activities	17,315	26,980
Within financing activities	<u>72,715</u>	<u>65,107</u>
	<u><u>90,030</u></u>	<u><u>92,087</u></u>

## 38. CONTINGENT LIABILITIES

As at 31 December 2021, 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 2021, the Group's outstanding guarantees amounted to HK\$898,781,000 (2020: HK\$1,284,465,000) for these guarantees.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 39. COMMITMENTS

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

	2021 HK\$'000	2020 HK\$'000
Commitments in respect of property, plant and equipment, investment properties, intangible assets and properties under development: Contracted for	<b>17,015,882</b>	9,262,532
Capital commitments in respect of capital contribution payable to associates: Contracted for	<b>71,096</b>	97,585
Commitments in respect of project financing payable to an associate: Contracted for	<b>1,924,871</b>	1,869,946

(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\$5.815 billion), and project management and maintenance of the Project Roads. At the end of the reporting period, an amount of RMB1,724,362,000 (equivalent to approximately HK\$2,109,067,000) (2020: RMB1,453,023,000 (equivalent to approximately HK\$1,726,482,000)) has been paid in relation to the Yinping PPP Project.

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 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	2021 HK\$'000	2020 HK\$'000
Rental income received from Guangdong Holdings and certain subsidiaries of Guangdong Holdings*	(i)	25,650	17,894
Rental income received from GDH Limited#	(ii)	13,276	14,008
Water distribution income received from a fellow subsidiary*	(iii)	38,638	35,543
Water distribution income received from an associate	(iii)	27,490	10,569
Dividends paid and payable to GDH Limited and certain subsidiaries of GDH Limited by GH Water Holdings	(iv)	173,452	185,841
Dividends paid and payable to GDH Limited and certain of its subsidiaries by the Company	(iv)	2,196,497	2,147,374
Dividends paid to Guangdong Holdings by WaterCo	(iv)	22,643	16,957
Interest expenses charged by Guangdong Holdings	(v)	93,852	–
Interest expenses charged by fellow subsidiaries*	(vi)	97,835	15,212
Sale of electricity to fellow subsidiaries and an associate*	(vii)	110,094	57,193
Sale of electricity to an associate	(viii)	28,688	17,520
Consultancy service fee paid to a fellow subsidiary#	(ix)	6,818	6,370
Property management fee paid to fellow subsidiaries*	(x)	105,439	27,670
Information service fee paid to fellow subsidiaries#	(xi)	5,597	11,316
Proceeds received from disposal of subsidiaries to a fellow subsidiary*	(xii)	–	109,810
Proceeds received from disposal of a subsidiary to a fellow subsidiary#	(xii)	–	7,773
Hotel management fees received from fellow subsidiaries	(xiii)	6,689	4,402

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 40. RELATED PARTY TRANSACTIONS (continued)

### (a) Transactions with related parties (continued)

Notes:

- (i) The Group received rental income and reimbursement of other expenses of HK\$34,399,000 (2020: HK\$21,775,000) in accordance with the terms of respective tenancy agreements with these related parties in which rental income was HK\$25,650,000 (2020: HK\$17,894,000) for the year ended 31 December 2021.
- (ii) The rental income was received in accordance with the terms of the respective agreements.
- (iii) The income on the supply of untreated water was received in accordance with the terms of respective agreements.
- (iv) The dividends paid and payable were made pursuant to the dividend rates proposed and declared at the respective boards of directors and shareholders' meetings.
- (v) The interest expenses were charged at an effective interest rate of 4.75% per annum (2020: Nil).
- (vi) The interest expenses were charged at effective interest rates between RMB benchmark 1-year loan prime rate per annum plus 0.15% to 1.4% and 5.85% (2020: RMB benchmark 1-year loan prime rate per annum plus 0.2%) announced by the People's Bank of China.
- (vii) The Group received income from the sale of electricity of HK\$110,094,000 (2020: HK\$57,193,000) to fellow subsidiaries and an associate in accordance with the terms of the agreements, which is net of tax of HK\$14,312,000 (2020: HK\$7,474,000) for the year ended 31 December 2021.
- (viii) The income from the sale of electricity were received in accordance with the terms of the agreement.
- (ix) The consultancy service fee was charged in accordance with the terms of the agreement entered into between the Group and a fellow subsidiary.
- (x) The property management fee of HK\$65,105,000 (2020: HK\$31,143,000) was charged in accordance with the terms of the agreements entered into between the Group and fellow subsidiaries for the year ended 31 December 2021.
- (xi) The information service fee was charged in accordance with the terms of the agreements entered into between the Group and fellow subsidiaries.
- (xii) The consideration of the disposal was determined based on the net assets value of the subsidiaries disposed which was valued by an external valuer.
- (xiii) The hotel management fees were charged in accordance with the terms of the agreements entered into between the Group and the respective fellow subsidiaries.



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 40. RELATED PARTY TRANSACTIONS (continued)

### (b) Other transactions with related parties

On 18 May 2019, the Company, 廣東粵海水務股份有限公司 (Guangdong Yue Hai Water Holdings Limited▲) (“Guangdong Water Co”), an indirect wholly-owned subsidiary of Guangdong Holdings, 江蘇中和永泰建設工程有限公司 (Jiangsu Chunghe Yongtai Construction Engineering Co., Ltd.▲) (“Jiangsu Chunghe Yongtai”), an independent third party, and China First Metallurgical Group Co. Ltd. (“CFMG”), an independent third party, successfully bid for the Yangtze River water diversion project in Xinghua, Jiangsu, the PRC (the “Xinghua Project”), which is owned as to 46% and 14.5% by the Company and Guangdong Water Co., respectively. After taking into account the proportionate registered capital contribution from Guangdong Water Co, Jiangsu Chunghe Yongtai and CFMG, the maximum amount (including registered capital and project financing and/or joint guarantees) for which the Company is responsible in respect of Xinghua Project is approximately RMB1,891 million (equivalent to approximately HK\$2,205 million). The transaction constituted a connected transaction as defined in Chapter 14A of the Listing Rules. Further details are set out in the announcement of the Company dated 20 May 2019.

### (c) Commitments with related parties

The Group entered into several tenancy agreements, as lessor, with Guangdong Holdings, GDH Limited and certain fellow subsidiaries of the Company (collectively, the “GDH Group”) for leasing out several units in Hong Kong and Mainland China as office premises. The total amounts received from the GDH Group for the year were included in note 40(a) to the financial statements. Details of the Group’s commitments with related parties are as follows:

- (i) On 10 July 2018, Global Head and GDH Limited entered into a tenancy agreement in relation to the leasing out of the premises on 26th Floor, 27th Floor, 30th Floor and Office B1 on 29th Floor of GDI Tower as office premises for a term of three years commencing on 1 August 2018 at a monthly rent of HK\$980,000. On 28 June 2021, Global Head and GDH Limited renewed the tenancy agreement for a term of three years commencing on 1 August 2021 at a monthly rent of HK\$842,000. As at 31 December 2021, the Group expected total rental income receivable from GDH Limited for each of the years ending 31 December 2022, 2023 and 2024 to be approximately HK\$10,104,000, HK\$10,104,000 and HK\$5,894,000, respectively. As at 31 December 2020, the Group expected total rental income receivable from GDH Limited for the year ended 31 December 2021 to be approximately HK\$6,860,000.
- (ii) On 30 August 2019, Global Head and GDH Limited entered into a tenancy agreement in relation to the leasing out of Office B on 5th Floor of GDI Tower as office premises for a term of three years commencing on 1 September 2019 at a monthly rent of HK\$130,000. As at 31 December 2021, the Group expected total rental income receivable from GDH Limited for the year ending 31 December 2022 to be approximately HK\$1,040,000. As at 31 December 2020, the Group expected total rental income receivable from GDH Limited for each of the years ended/ending 31 December 2021 and 2022 to be approximately HK\$1,560,000 and HK\$1,040,000, respectively.
- (iii) On 30 September 2020, GDH Teem, a non-wholly owned subsidiary of the Company, and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of the premises on 42nd and 45th Floors of the Teem Tower as office premises for a term of three years commencing on 1 October 2020 at a monthly rent of RMB442,583.05 for the first two months and RMB885,166.10 for the remaining term. As at 31 December 2021, the Group expected total rental income from Guangdong Holdings for each of the years ending 31 December 2022 and 2023 to be approximately HK\$12,992,000 and HK\$9,744,000, respectively. As at 31 December 2020, the Group expected total rental income from Guangdong Holdings for the years ended/ending 31 December 2021, 2022 and 2023 to be approximately HK\$12,621,000, HK\$12,621,000 and HK\$9,466,000, respectively.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 40. RELATED PARTY TRANSACTIONS (continued)

### (c) Commitments with related parties (continued)

- (iv) On 4 July 2019, GDH Teem and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of the premises on Units 04, 05 and 06 of 20th Floor of Teem Tower as office premises for a term of three years commencing on 1 August 2019 at a monthly rent of RMB185,191.50. As at 31 December 2021, the Group expected total rental income from Guangdong Holdings for the year ending 31 December 2022 to be approximately HK\$1,359,000. As at 31 December 2020, the Group expected total rental income from Guangdong Holdings for the years ended/ending 31 December 2021 and 2022 to be approximately HK\$2,641,000 and HK\$1,320,000, respectively.
- (v) On 29 August 2019, GDH Teem and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of the premises on Units 07-1 and 08 of 31st Floor of Teem Tower as office premises for a term of thirty-five months commencing on 1 September 2019 and expiring on 31 July 2022 at a monthly rent of RMB81,814.20. As at 31 December 2021, the Group expected total rental income from Guangdong Holdings for the year ending 31 December 2022 to be approximately HK\$600,000. As at 31 December 2020, the Group expected total rental income from Guangdong Holdings for the years ended/ending 31 December 2021 and 2022 to be approximately HK\$1,167,000 and HK\$583,000, respectively.
- (vi) On 29 May 2018, GDH Teem and GDH Finance Co., Ltd. ("GDH Finance"), a subsidiary of Guangdong Holdings, entered into a tenancy agreement in relation to the leasing out of the premises on Units 01, 02A, 07B and 08 of 35th Floor of Teem Tower as office premises for a term of three years commencing on 21 July 2018 at a monthly rent of RMB161,332.95. On 27 March 2021, GDH Teem and GDH Finance renewed the tenancy agreement in relation to the leasing out of the premises on Units 01, 02, 07-1 and 08 of 35th Floor of Teem Tower as office premises for a term of three years commencing on 21 July 2021 at a monthly rent of RMB170,053.65. As at 31 December 2021, the Group expected total rental income receivable from GDH Finance for the years ending 31 December 2022, 2023 and 2024 to be approximately HK\$2,496,000, HK\$2,496,000 and HK\$1,382,000, respectively. As at 31 December 2020, the Group expected total rental income receivable from GDH Finance for the year ended 31 December 2021 to be approximately HK\$1,274,000.
- (vii) On 31 March 2020, GDH Teem and 廣東粵海融資租賃有限公司 (GDH Financial Leasing Co., Ltd) ("GDH Leasing"), a wholly owned subsidiary of GDH Limited, entered into a tenancy agreement in relation to the leasing out of the premises on Units 06 of 28th Floor of Teem Tower as office premises for a term of three years commencing on 1 April 2020 at a monthly rent of RMB28,917.52 for the first two months and RMB57,835.05 for the remaining term. As at 31 December 2021, the Group expected total rental income receivable from GDH Leasing for each of the years ending 31 December 2022 and 2023 to be approximately HK\$849,000 and HK\$212,000, respectively. As at 31 December 2020, the Group expected total rental income receivable from GDH Leasing for each of the years ended/ending 31 December 2021, 2022 and 2023 to be approximately HK\$825,000, HK\$825,000 and HK\$206,000, respectively.
- (viii) On 30 September 2020, GDH Teem and Yuehai Property Management entered into a tenancy agreement in relation to the leasing out of the premises on Units 04-1, 05, 06 and 07 of 25th Floor of Teem Tower as office premises for a term of thirty-four months commencing on 1 December 2020 at a monthly rent of RMB204,711. As at 31 December 2021, the Group expected total rental income receivable from Yuehai Property Management for each of the years ending 31 December 2022 and 2023 to be approximately HK\$3,005,000 and HK\$2,253,000, respectively. As at 31 December 2020, the Group expected total rental income receivable from Yuehai Property Management for each of the years ended/ending 31 December 2021, 2022 and 2023 to be approximately HK\$2,676,000, HK\$2,919,000 and HK\$2,189,000, respectively.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 40. RELATED PARTY TRANSACTIONS (continued)

### (d) Outstanding balances with related parties

	Notes	2021 HK\$'000	2020 HK\$'000
Balances due from related parties included in bank balances, receivables, prepayments and other receivables:			
Ultimate holding company	(i)	2,324	832
Fellow subsidiaries	(i)	1,463	3,527
Fellow subsidiaries	(ii)	14,017	3,041
Associates	(i)	3,969	18,053
Associates	(ii)	10,922	7,286
Deposits placed at a fellow subsidiary	(v)	3,266,753	263,287
Loan to a fellow subsidiary	(vii)	–	51,954
Balances due to related parties included in payables, accruals and other liabilities:			
Immediate holding company	(i)	44,509	25,886
Ultimate holding company	(iii)	125,323	20,392
Fellow subsidiaries	(i)	907,595	48,477
Fellow subsidiaries	(ii)	13,814	620
Associates	(i)	1,319	11,631
Associates	(ii)	–	7,885
Loan from the ultimate holding company	(vi)	2,130,640	–
Loans from fellow subsidiaries	(iv)	2,004,519	332,696

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 40. RELATED PARTY TRANSACTIONS (continued)

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

Notes:

- (i) The balances due are unsecured, non-interest-bearing and have no specific terms of repayment.
- (ii) The balances due are unsecured, non-interest-bearing and repayable within 30 days.
- (iii) Included in the balance was HK\$7,071,000 (2020: HK\$3,121,000) which represented rental deposits received from the ultimate holding company. The balance due is unsecured, non-interest-bearing and repayable upon the expiry of the rental agreements. The remaining balance due is unsecured, non-interest-bearing and has no specific term of repayment.
- (iv) Balance included a loan of HK\$318,006,000 (2020: HK\$332,696,000) 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 (2020: 0.2% plus the RMB benchmark 1-year loan prime rate per annum) announced by the People's Bank of China. The loan is repayable within 3 years from 25 June 2020. The remaining balances of HK\$1,686,513,000 (2020: Nil) represented loans from fellow subsidiaries which are unsecured and interest-bearing between 0.15% to 1.4% plus the RMB benchmark 1-year loan prime rate per annum announced by the People's Bank of China and at an effective interest rate of 5.85% per annum. These loan are repayable within 1 to 5 years.
- (v) The balance represented bank deposits placed at a fellow subsidiary, a non-banking financial institution in the PRC. The balance due is unsecured, with interest accrued at 50% higher than the RMB Agreed Deposit Rate offered by financial institutions as announced by the People's Bank of China.
- (vi) The loan is unsecured, interest-bearing at an effective interest rate of 4.75% per annum and repayable within three years.
- (vii) The loan was unsecured, non-interest-bearing and repayable within 1 year.

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

	2021 HK\$'000	2020 HK\$'000
Short term employee benefits	8,784	8,440
Post-employment benefits	1,435	645
Total compensation paid to key management personnel	<b>10,219</b>	<b>9,085</b>

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 41. CONNECTED TRANSACTIONS

The Group's connected transactions and continuing connected transactions conducted during the year and disclosed in accordance with Chapter 14A of the Listing Rules are as follows:

### (A) Connected Transactions

#### (a) *Formation of Joint Venture Company for the Yangtze Water Diversion Project*

On 18 May 2019, the Company, Guangdong Water Co, Jiangsu Chunghe Yongtai and CFMG (collectively, the "Private Partners"), successfully bid for a public-private-partnership project for the investment, construction, operation and maintenance of certain water pipelines and ancillary facilities for water diversion in Xinghua, Jiangsu, the PRC (the "Yangtze Water Diversion Project"). The Company agreed to contribute to the registered capital of RMB317 million (equivalent to approximately HK\$370 million) to a joint venture company to be set up for the Yangtze Water Diversion Project.

The joint venture company is owned as to 46% by the Company, 14.5% by Guangdong Water Co, 3% by Jiangsu Chunghe Yongtai, 3% by CFMG and 33.5% by 興化市城市建設投資有限公司 (Xinghua City Construction Investment Co., Ltd.▲). The estimated total investment amount of the Yangtze Water Diversion Project in the amount of approximately RMB690,000,000 (equivalent to approximately HK\$804,000,000), of which the registered capital of the joint venture company formed part, is wholly borne by the Private Partners and Xinghua City Construction Investment Co., Ltd.

Guangdong Water Co is an indirect wholly-owned subsidiary of Guangdong Holdings, the Company's ultimate holding company. Hence, Guangdong Water Co is a connected person of the Company and the transaction constituted a connected transaction of the Company under the Listing Rules which was subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirement. Further details are set out in the announcement of the Company dated 20 May 2019.

#### (b) *Assets combination of Guangdong Yuegang Investment Development Co., Ltd. and GDH Real Estates (Hui Yang) Limited*

On 29 October 2020, GD Land Group entered into a sale and purchase agreement with 廣東粵港投資開發有限公司 (Guangdong Yuegang Investment Development Co., Ltd.) ("GYID"), a wholly-owned subsidiary of Guangdong Holdings, the ultimate holding company of the Company, to acquire 51% equity interest of 江門粵海置地有限公司 (Jiangmen Yuehai Land Co., Ltd.) ("Jiangmen Yuehai") at a consideration of RMB954,179,553 (which included an amount of RMB306,000,000 for buying out 51% of the shareholder's loan from GYID). The acquisition was completed on 13 January 2021 and Jiangmen Yuehai has become a 51% owned subsidiary of GD Land.

On 29 October 2020, GD Land Group entered into a sale and purchase agreement with GDH Real Estates (Hui Yang) Limited ("GDH (Hui Yang)") and GYID, both are wholly-owned subsidiaries of Guangdong Holdings, to acquire the entire equity interest of 惠陽粵海房產發展有限公司 (Huiyang Yuehai Property Development Co., Ltd.) and its subsidiary (together "Huiyang Yuehai") at a consideration of RMB273,797,700. The acquisition was completed on 18 January 2021 and Huiyang Yuehai has become a wholly-owned subsidiary of GD Land.

GYID and GDH (Hui Yang) are wholly-owned subsidiaries of Guangdong Holdings, the Company's ultimate holding company. Hence, GYID and GDH (Hui Yang) are connected persons of the Company and the transactions constituted connected transactions of the Company under the Listing Rules which were subject to the reporting and announcement requirements but were exempt from the independent shareholders' approval requirement. Further details are set out in the joint announcement of the Company and GD Land dated 29 October 2020.

# NOTES TO FINANCIAL STATEMENTS

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## 41. CONNECTED TRANSACTIONS (continued)

### (A) Connected Transactions (continued)

#### (c) *Finance lease arrangement for Hebei Guandong Water and its subsidiaries*

On 15 April 2021, Hebei Guandong Water, 行唐縣嘉誠水務有限公司 (Xingtang County Jiacheng Water Company Limited) (“Xingtang Jiacheng Water Co”), a wholly-owned subsidiary of Hebei Guandong Water, 邯鄲市永年區嘉誠污水處理有限公司 (Handan City Yongnian District Jiacheng Sewage Treatment Company Limited) (“Handan Jiacheng Sewage Treatment Co”), a wholly-owned subsidiary of Hebei Guandong Water and 嘉誠(焦作)水務有限公司 (Jiacheng (Jiaozuo) Water Company Limited) (“Jiacheng Jiaozuo Water Co”), a non-wholly owned subsidiary of Hebei Guandong Water entered into a finance lease arrangement with 廣東粵海融資租賃有限公司 (Guangdong Yuehai Financial Leasing Company Limited) (“Guangdong Financial Leasing”), a wholly-owned subsidiary of Guangdong Holdings, which comprises, among other things, (i) an asset transfer agreement; and (ii) a finance lease agreement, whereby Xingtang Jiacheng Water Co, Handan Jiacheng Sewage Treatment Co and Jiacheng Jiaozuo Water Co have agreed to transfer the leased assets to Guangdong Financial Leasing at a purchase consideration of RMB224,000,000 and Guangdong Financial Leasing has agreed to lease back the leased assets to Xingtang Jiacheng Water Co, Handan Jiacheng Sewage Treatment Co and Jiacheng Jiaozuo Water Co for a lease consideration of RMB237,104,000 for a term of 12 months.

Guangdong Financial Leasing is a subsidiary of Guangdong Holdings, the Company’s ultimate holding company. As such, Guangdong Financial Leasing is an associate of Guangdong Holdings and a connected person of the Company under Chapter 14A of the Listing Rules. The finance lease arrangement constituted a connected transaction of the Company under the Listing Rules which was subject to the reporting and announcement requirements but was exempt from the independent shareholders’ approval requirement. Further details are set out in the announcement of the Company dated 19 April 2021.

#### (d) *Novation of Finance Lease Agreement*

On 9 November 2021, Hebei Guandong Water and 涇源縣嘉誠污水工程有限公司 (Laiyuan County Jiacheng Sewage Engineering Co., Ltd) (collectively, the “Hebei Guandong Water Companies”) entered into a novation agreement with 中廣核國際融資租賃(天津)有限公司 (CGN International Financial Leasing (Tianjin) Co., Ltd.) (“CGN Financial Leasing”) and Guangdong Financial Leasing in relation to the novation of the rights and obligations of CGN Financial Leasing (as existing lessor) under a finance lease agreement with the Hebei Guandong Water Companies (as lessees) to Guangdong Financial Leasing (as new lessor) at a consideration of RMB47,309,417.15.

Guangdong Financial Leasing is a subsidiary of Guangdong Holdings, the Company’s ultimate holding company. As such, Guangdong Financial Leasing is an associate of Guangdong Holdings and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the finance lease arrangement between Guangdong Financial Leasing and the Hebei Guandong Water Companies contemplated under the novation agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules which was subject to the reporting and announcement requirements but was exempt from the independent shareholders’ approval requirement. Further details are set out in the announcement of the Company dated 9 November 2021.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 41. CONNECTED TRANSACTIONS (continued)

### (B) Continuing Connected Transactions

#### (a) Tenancy and Related Agreements

- (i) On 30 September 2020, GDH Teem and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of 42nd and 45th Floors of Teem Tower as office premises for a term of three years commencing on 1 October 2020 at a monthly rent of RMB442,583.05 and RMB885,166.10 for the first two months and the remaining term, respectively;
- (ii) On 4 July 2019, GDH Teem and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of the premises on Units 04, 05 and 06 of 20th Floor of Teem Tower as office premises for a term of three years commencing on 1 August 2019 at a monthly rent of RMB185,191.50. On 18 October 2021, Guangdong Holdings terminated the existing tenancy agreement. On the same day, GDH Teem and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of the premises on Unit 06-1 of 20th Floor of Teem Tower as office premises for a term of ten months commencing on 1 October 2021 and expiring on 31 July 2022 at a monthly rent of RMB 34,281.00 and RMB 17,140.50 for the first eight months and the remaining term, respectively;
- (iii) On 29 August 2019, GDH Teem and Guangdong Holdings entered into a tenancy agreement in relation to the leasing out of the premises on Units 07-1 and 08 of 31st Floor of Teem Tower as office premises for a term of thirty-five months commencing on 1 September 2019 and expiring on 31 July 2022 at a monthly rent of RMB81,814.20. On 1 September 2021, Guangdong Holdings terminated the existing tenancy agreement. On the same day, GDH Teem and Guangdong Holdings entered into a tenancy agreement in relation to the leasing of the premises on Unit 07-1 of 31st Floor of Teem Tower as office premises for a term of ten months commencing on 1 September 2021 and expiring on 31 July 2022 at a monthly rent of RMB6,801.60 and RMB3,400.80 for the first eight months and the remaining term, respectively;
- (iv) On 31 March 2020, GDH Teem and GDH Leasing entered into a tenancy agreement in relation to the leasing out of the premises on Units 06 of 28th Floor of Teem Tower as office premises for a term of three years commencing on 1 April 2020 at a monthly rent of RMB28,917.53 and RMB57,835.05 for the first two months and the remaining term, respectively;
- (v) On 30 September 2020, GDH Teem and Yuehai Property Management entered into a tenancy agreement in relation to the leasing out of the premises on Units 04-1, 05, 06 and 07 of 25th Floor of Teem Tower as office premises for a term of thirty-four months commencing on 1 December 2020 and expiring on 30 September 2023 at a monthly rent of RMB204,711.00. The agreement was terminated during the year 2021;
- (vi) On 29 May 2018, GDH Teem and GDH Finance entered into a tenancy agreement in relation to the leasing out of the premises on Units 01, 02A, 07B and 08 of 35th Floor of Teem Tower as office premises for a term of three years commencing on 21 July 2018 at a monthly rent of RMB161,332.95; and



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 41. CONNECTED TRANSACTIONS (continued)

### (B) Continuing Connected Transactions (continued)

#### (a) Tenancy and Related Agreements (continued)

- (vii) On 31 December 2018, 廣東粵海天河城商業有限公司佛山南海地鐵金融城分公司 (GDH Teem Department Store Co., Ltd. Foshan Nanhai Metro Financial City Branch) (“Foshan Teem”), an indirect non-wholly owned subsidiary of the Company, and 廣東天與地商業運營管理有限公司 (Guangdong Tiandi Commercial Operation Management Ltd.) (“Guangdong Tiandi”), an indirect non-wholly owned subsidiary of Guangdong Holdings, entered into a tenancy agreement in relation to the leasing out of Shop 318 on the 3rd Floor of Nanhai Teemall with a floor area of 5,000 square meters for retailing purposes for a term of 12 years commencing on 1 January 2019 at the agreed monthly rent. The agreement was terminated during the year 2021.

Under the tenancy agreements in items (i), (ii), (iii), (iv) and (vi), Guangdong Holdings, GDH Leasing, Yuehai Property Management and GDH Finance were also required to pay management fees and other expenses in relation to the said premises to Teem Management Co., which provides property management services to the said premises Teem Management Co., a direct wholly-owned subsidiary of Yuehai Property Management. The tenancy agreements as renewed on 30 September 2020 in item (i) do not require payment of management fee. The fees and expenses were calculated by reference to the applicable charging rates and the actual consumption level for the various services used by Guangdong Holdings, GDH Leasing, Yuehai Property Management and GDH Finance in connection with its occupation of the said premises.

Under the tenancy agreement in item (vii), Foshan Teem was also required to pay management fees and other expenses in relation to the said premises to Guangdong Tiandi, a direct non-wholly owned subsidiary of 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 Foshan Teem in connection with its occupation of the said premises.

The tenancy agreements under items (i), (ii), (iii), (iv), (v) and (vi) are collectively referred to as the “East Tower Agreements”. During the year ended 31 December 2021, the total amounts received in accordance with the terms of the East Tower Agreements amounted to approximately RMB17,537,000 (equivalent to approximately HK\$21,123,000) (2020: RMB18,293,000 (equivalent to approximately HK\$20,585,000), under the agreement(s) in force over the relevant previous period).

The tenancy agreement under item (vii) is referred to as the “Nanhai Teemall Agreements”. During the year ended 31 December 2021, the total amounts received in accordance with the terms of the Nanhai Teemall Agreements amounted to approximately RMB2,399,000 (equivalent to approximately HK\$2,890,000) (2020: RMB993,000 (equivalent to approximately HK\$1,190,000)).

Reference is made to notes 40(c)(i) to (ii) to the financial statements in this Annual Report relating to the tenancy agreements entered into by Global Head for the leasing out of premises in GDI Tower. These tenancy agreements have been aggregated for Listing Rules purposes on the basis that they all relate to the letting of office premises in GDI Tower by the Group to GDH Limited. As the highest applicable percentage ratio (on an aggregated basis) in respect of the transactions contemplated under these tenancy agreements and a subsequent tenancy agreement entered into by Global Head for the leasing out of other premises in GDI Tower are less than 0.1%, they are fully exempt from reporting, announcement, shareholders’ approval and annual review requirements under the Listing Rules during the year.



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 41. CONNECTED TRANSACTIONS (continued)

### (B) Continuing Connected Transactions (continued)

#### (b) *Changping Agreement*

On 21 November 2018, Guangdong Yue Gang Water Supply Company Limited (“WaterCo”) renewed an agreement (the “Changping Agreement”) with 東莞常平粵海水務有限公司 (Dongguan Changping Guangdong Water Company Limited) (“Changping Water”), an indirect wholly-owned subsidiary of Guangdong Holdings, pursuant to which WaterCo agreed to supply untreated water to Changping Water for the period from 1 January 2019 to 31 December 2020. On 21 November 2020, WaterCo and Changping Water renewed the Changping Agreement for a term of two years commencing on 1 January 2021 and expiring on 31 December 2022.

During the year ended 31 December 2021, total income generated by WaterCo from the provision of water in accordance with the terms of the Changping Agreement amounted to approximately RMB32,078,000 (equivalent to approximately HK\$38,638,000) (2020: RMB31,585,000 (equivalent to approximately HK\$35,543,000), under the agreement(s) in force over the relevant previous period).

#### (c) *Electricity Transaction Agreements*

- (i) On 2 December 2020, 中山粵海能源服務有限公司 (Zhongshan GDH Energy Service Co., Ltd.) (“GDH Energy Service”), an indirect subsidiary of the Company, entered into an agreement (the “Zhongyue Tinplate 2021-23 Electricity Transaction Agreement”) with 粵海中粵(中山)馬口鐵工業有限公司 (GDH Zhongyue (Zhongshan) Tinplate Industrial Co., Ltd.) (“Zhongyue Tinplate”), a wholly-owned subsidiary of GDH Guangnan (Holdings) Limited, which is a 59.19% owned subsidiary of GDH Limited. Pursuant to the Zhongyue Tinplate 2021-23 Electricity Transaction Agreement, GDH Energy Service agreed to supply, and Zhongyue Tinplate agreed to purchase, electricity through the power grid operated by 廣東電網有限責任公司 (Guangdong Power Grid Company Limited) (“Guangdong Power Grid”) on a continuing basis for the period from 1 January 2021 to 31 December 2023;
- (ii) On 2 December 2020, GDH Energy Service entered into an agreement (the “Nansha Water 2021-23 Electricity Transaction Agreement”) with 廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd.) (“Nansha Water”), a company indirectly owned by the Company and Guangdong Holdings as to 49% and 11% respectively. Pursuant to the Nansha Water 2021-23 Electricity Transaction Agreement, GDH Energy Service agreed to supply, and Nansha Water agreed to purchase, electricity through the power grid operated by 廣州供電局有限公司 (Guangzhou Power Supply Co. Ltd.) (“Guangzhou Power”) on a continuing basis for the period from 1 January 2021 to 31 December 2023;
- (iii) On 2 December 2020, GDH Energy Service entered into an agreement (the “Changping Water 2021-23 Electricity Transaction Agreement”) with Changping Water. Pursuant to the Changping Water 2021-23 Electricity Transaction Agreement, GDH Energy Service agreed to supply, and Changping Water agreed to purchase, electricity through the power grid operated by Guangdong Power Grid on a continuing basis for the period from 1 January 2021 to 31 December 2023;

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## 41. CONNECTED TRANSACTIONS (continued)

### (B) Continuing Connected Transactions (continued)

#### (c) Electricity Transaction Agreements (continued)

- (iv) On 2 December 2020, GDH Energy Service entered into an agreement (the “Teem Management Co. 2021-23 Electricity Transaction Agreement”) with Teem Management Co., an indirect non-wholly owned subsidiary of Guangdong Holdings. Pursuant to the Teem Management Co. 2021-23 Electricity Transaction Agreement, GDH Energy Service agreed to supply, and Teem Management Co. agreed to purchase, electricity through the power grid operated by Guangzhou Power on a continuing basis for the period from 1 January 2021 to 31 December 2023;
- (v) On 2 December 2020, GDH Energy Service entered into an agreement (the “Huajin Technology 2021-23 Electricity Transaction Agreement”) with 廣東粵海華金科技股份有限公司 (Guangdong Yuehai Huajin Technology Co., Ltd) (“Huajin Technology”), a non-wholly owned subsidiary of Guangdong Holdings. Pursuant to the Huajin Technology 2021-23 Electricity Transaction Agreement, GDH Energy Service agreed to supply, and Huajin Technology agreed to purchase, electricity through the power grid operated by Guangdong Power Grid on a continuing basis for the period from 1 January 2021 to 31 December 2023;
- (vi) On 15 December 2020, GDH Energy Service entered into an agreement (the “Supertime (Guangzhou) Existing Electricity Transaction Agreement”) with 粵海永順泰(廣州)麥芽有限公司 (GDH Supertime (Guangzhou) Malting Co., Ltd) (“Supertime (Guangzhou)”), an indirect non-wholly owned subsidiary of Guangdong Holdings. Pursuant to the Supertime (Guangzhou) Existing Electricity Transaction Agreement, GDH Energy Service agreed to supply, and Supertime (Guangzhou) agreed to purchase, electricity through the power grid operated by Guangdong Power Grid on a continuing basis for the period from 1 January 2021 to 30 June 2021. On 30 April 2021, GDH Energy Service renewed the agreement with Supertime (Guangzhou) for the period from 1 July 2021 to 31 December 2021; and
- (vii) On 30 April 2021, GDH Energy Service entered into an agreement (the “Yuehai Yangzhonghui Electricity Transaction Agreement”) with 廣州粵海仰忠匯置業有限公司 (Guangzhou Yuehai Yangzhonghui Land Co., Ltd) (“Yuehai Yangzhonghui”), a direct wholly-owned subsidiary of Guangdong Holdings. Pursuant to the Yuehai Yangzhonghui Electricity Transaction Agreement, GDH Energy Service agreed to supply, and Yuehai Yangzhonghui agreed to purchase, electricity through the power grid operated by Guangdong Power Grid on a continuing basis for the period from 1 May 2021 to 31 December 2021.

The supply of electricity agreements under items (i), (ii), (iii), (iv), (v), (vi) and (vii) are collectively referred to as the “Electricity Transaction Agreements”. During the year ended 31 December 2021, the total amount received in accordance with the terms of the transactions contemplated under the Electricity Transaction Agreements amounted to approximately RMB103,284,000 (equivalent to approximately HK\$124,406,000) (2020: RMB57,467,000 (equivalent to approximately HK\$64,667,000), under the agreement(s) in force over the relevant previous period).

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 41. CONNECTED TRANSACTIONS (continued)

### (B) Continuing Connected Transactions (continued)

#### (d) Financial Services Framework Agreement

- (i) On 30 October 2020, GDTDS, a non-wholly owned subsidiary of the Company, entered into an agreement in relation to (i) settlement services, and (ii) deposit services provided by GDH Finance to GDTDS and its subsidiary(ies) (“GDTDS Group”) (“GDTDS Settlement and Deposit Services Cooperation Agreement”) with GDH Finance pursuant to which (i) GDH Finance has been engaged to settle, at the instruction of GDTDS Group, outstanding invoices issued to GDTDS Group with available funds temporarily deposited by GDTDS Group from time to time according to its business needs and at its discretion in a current account opened with GDH Finance; and (ii) GDTDS Group and GDH Finance shall further enter into certain account opening/operation agreements for the purpose of facilitating the performance of the GDTDS Settlement and Deposit Services Cooperation Agreement for the period from 2 November 2020 to 31 December 2022 and terminated on 1 September 2021;
- (ii) On 30 October 2020, GDH Energy, a non-wholly owned subsidiary of the Company, and GDH Finance entered into an agreement in relation to (i) settlement services, and (ii) deposit services provided by GDH Finance to GDH Energy and its subsidiary(ies) (“GDH Energy Group”) (“Zhongshan Energy Settlement and Deposit Services Cooperation Agreement”) pursuant to which (i) GDH Finance has been engaged to settle, at the instruction of GDH Energy Group, outstanding invoices issued to GDH Group with available funds temporarily deposited by GDH Energy Group from time to time according to its business needs and at its discretion in a current account opened with GDH Finance; and (ii) GDH Energy Group and GDH Finance shall further enter into certain account opening/operation agreements for the purpose of facilitating the performance of the Zhongshan Energy Settlement and Deposit Services Cooperation Agreement for the period from 8 November 2020 to 31 December 2022 and terminated on 1 September 2021; and
- (iii) On 1 September 2021, the Group entered into the Financial Services Framework Agreement in relation to utilise certain financial services including the (i) loan services; (ii) deposit services; (iii) guarantee services; (iv) settlement services; and (v) other financial services offered by GDH Finance for a term of three years from 1 September 2021 to 31 August 2024. The member(s) of the Group and GDH Finance will enter into specific agreements for the provision of financial services, which set out the detailed terms for the relevant transactions contemplated under the Financial Services Framework Agreement and are, in the ordinary and usual course of business, after arm’s length negotiation, on normal commercial terms or better and on terms which are no less favourable than those offered by independent third parties to the Group. Pursuant to the Financial Services Framework Agreement, the Group is required to pay services fees to GDH Finance in respect of the settlement services and other financial services. During the period ended 31 December 2021, GDH Finance entered into specific agreements for the provision of financial services with the following members of the Group; Guangdong Water Holdings Limited and its subsidiaries (“GD Water Group”); GDH Teem and its subsidiaries; Guangdong Land Holdings Limited and its subsidiaries (“GD Land Group”); Guangdong Hotel (Zhu Hai); Shenzhen Guangdong Hotel Enterprises Limited; 粵海酒店管理(珠海)有限公司 (Yuehai Hotel Management (Zhu Hai) Co., Limited); 粵海國際酒店管理(中國)有限公司 (Yuehai (International) Hotel Management (PRC) Co., Limited), GDH Energy and 廣東粵海投資財務管理有限公司 (Guangdong Yuehai Investment Financial Management Co., Limited).

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 41. CONNECTED TRANSACTIONS (continued)

### (B) Continuing Connected Transactions (continued)

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

During the year ended 31 December 2021, 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 (equivalent to approximately HK\$3,370,640,000) (2020: daily balance of bank deposits and accrued interest income: RMB295,171,000 (equivalent to approximately HK\$332,156,000)), under the agreement in force over the relevant previous period. The total amount of service fees paid by the Group to GDH Finance amounted to approximately RMB112,000 (equivalent to approximately HK\$135,000), under the agreement in force over the relevant previous period.

#### (e) *Property Management Agreements*

- (i) On 31 May 2019, Wanye entered into agreements (collectively, the "Panyu Property Management Agreements") with Yuehai Property Management. Pursuant to the Panyu Property Management Agreements, Yuehai Property Management agreed to provide certain property management services of a large-scale integrated commercial project in 番禺萬博中央商務區 (Panyu Wanbo Central Business District) ("Panyu Project") for three years commencing on 1 June 2019. The service fees for the abovementioned services were paid by Wanye to Yuehai Property Management on a monthly basis and were calculated at the agreed monthly rates on a pro rata basis. Yuehai Property Management also provided certain property management services to Wanye in respect of the sales and exhibition of Panyu Project for the period from 1 June 2019 to 31 May 2021. The service fee was settled on a monthly basis and calculated on the basis of the salary and fringe benefits of the labour required to provide such services;
- (ii) On 1 September 2020, GDH Teem entered into an agreement (the "18F Teem Tower Property Management Services Agreement") with Teem Management Co.. Pursuant to the 18F Teem Tower Property Management Services Agreement, Teem Management Co. agreed to provide certain property management services on the 18th Floor of Teem Tower for the period from 1 January 2021 to 31 December 2023. The service fees for the abovementioned services was paid by GDH Teem to Teem Management Co. on a monthly basis and was calculated at the agreed monthly rates on a pro rata basis;
- (iii) On 1 September 2020, GDTDS entered into an agreement (the "Teemall Shop Property Management Services Agreement") with Teem Management Co.. Pursuant to the Teemall Shop Property Management Services Agreement, Teem Management Co. agreed to provide certain property management services in the 11 shops in Teemall for three years commencing on 11 September 2020. The service fees for the abovementioned services were paid by GDTDS to Teem Management Co. on a monthly basis and were calculated at the agreed monthly rates on a pro rata basis;
- (iv) On 1 September 2020, GDTDS entered into an agreement (the "Teemall Warehouse Property Management Services Agreement") with Teem Management Co.. Pursuant to the Teemall Warehouse Property Management Services Agreement, Teem Management Co. agreed to provide certain property management services in the 49 warehouse units in Teemall for three years commencing on 11 September 2020. The service fees for the abovementioned services were paid by GDTDS to Teem Management Co. on a monthly basis and were calculated at the agreed monthly rates on a pro rata basis;

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 41. CONNECTED TRANSACTIONS (continued)

### (B) Continuing Connected Transactions (continued)

#### (e) Property Management Agreements (continued)

- (v) On 28 June 2019, Nan Fang entered into an agreement (the “Guangzhou Exchange Square Property Management Agreement”) with Teem Management Co.. Pursuant to the Guangzhou Exchange Square Property Management Agreement, Teem Management Co. agreed to provide certain property management services for the common area at 1st to 4th Floors of Guangzhou Exchange Square, located at 268 Dongfeng Middle Road, Yuexiu District, Guangzhou, the PRC for three years commencing on 1 July 2019. The service fees for the abovementioned services were paid by Nan Fang to Teem Management Co. on a monthly basis and were calculated at the agreed monthly rates on a pro rata basis;
- (vi) On 1 April 2019, GDH Teem entered into an agreement (the “Teemall Property Management Entrustment Agreement”) with Teem Management Co.. Pursuant to the Teemall Property Management Entrustment Agreement, Teem Management Co. agreed to provide certain property management services in Teemall, including the carpark, for three years commencing on 1 April 2019. The service fees for the abovementioned services were agreed and paid by GDH Teem to Teem Management Co. on an annual basis;
- (vii) On 1 April 2019, GDH Teem entered into an agreement (the “Teem Tower Property Management Entrustment Agreement”) with Teem Management Co.. Pursuant to the Teem Tower Property Management Entrustment Agreement, Teem Management Co. agreed to provide certain property management in Teem Tower for three years commencing on 1 April 2019. GDH Teem is not required to pay any management fees to Teem Management Co.;
- (viii) On 31 December 2020, GDH Teem entered into an agreement (the “Shiqi Warehouse Property Management Services Agreements”) with Teem Management Co.. Pursuant to the Shiqi Warehouse Property Management Services Agreements, Teem Management Co. agreed to provide property management services such as utilities maintenance and management, day-to-day tenant management, day-to-day operation of the premises, cleaning, security and greening at the warehouse property located at 8 Hanji Road, Dalong Street, Shiqi Town, Panyu District and Guangzhong, the PRC in Teem Tower for two months commencing on 1 January 2021. The service fees for the abovementioned services was agreed and paid by GDH Teem to Teem Management Co. on a monthly basis;
- (ix) On 31 December 2019, Huiyang Yuehai entered into an agreement (the “Huiyang Lijiang Garden Car Park Operation Management Services Agreement”) with 粵海物業管理有限公司惠陽分公司 (Yuehai Property Management Co., Ltd. Huiyang Branch) (“Yuehai Property Management Huiyang Branch”), an indirect non-wholly owned subsidiary of Guangdong Holdings. Pursuant to the Huiyang Lijiang Garden Car Park Operation Management Services Agreement, Yuehai Property Management Huiyang Branch agreed to provide daily operation management services for the car park in Huiyang Lijiang Garden for two years commencing on 1 January 2020. The service fees for the abovementioned services was agreed and paid by Huiyang Yuehai on a quarterly basis and was calculated at a fixed price per vacant car park space and a fixed percentage of the car park revenue received by Huiyang Yuehai;

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 41. CONNECTED TRANSACTIONS (continued)

### (B) Continuing Connected Transactions (continued)

#### (e) Property Management Agreements (continued)

- (x) On 29 February 2020, 惠州市粵海房地產開發有限公司 (Huizhou City Yuehai Property Development Co., Ltd) (“Huizhou Yuehai”) entered into an agreement (the “Huizhou Dayawan Project Site Security Services Agreement”) with Yuehai Property Management. Pursuant to the Huizhou Dayawan Project Site Security Services Agreement, Yuehai Property Management agreed to provide security services to Huizhou Yuehai at the site of Huizhou Dayawan Project for one year commencing on 1 March 2020. The service fees for the abovementioned services was agreed and paid by Huizhou Yuehai to Yuehai Property Management on a monthly basis and was calculated according to the actual costs incurred each month;
- (xi) On 30 September 2020, Huiyang Yuehai entered into an agreement (the “Huiyang Lijiang Garden Administrative Services Agreement”) with Yuehai Property Management. Pursuant to the Huiyang Lijiang Garden Administrative Services Agreement, Yuehai Property Management agreed to provide day-to-day administrative services for the Huiyang Lijiang Garden Project for one year commencing on 1 October 2020. The service fees for the abovementioned services was agreed and paid by Huiyang Yuehai to Yuehai Property Management on a monthly basis and was calculated according to the actual costs incurred each month;
- (xii) On 22 October 2020, Huiyang Yuehai entered into an agreement (the “Huiyang Lijiang Garden Commercial Property Rental Services Agreement”) with Teem Management Co.. Pursuant to the Huiyang Lijiang Garden Commercial Property Rental Services Agreement, Teem Management Co. agreed to provide commercial property rental services such as tenant referral, daily operation management, consumer relations management, tenant relations management and recovery of outstanding rent in respect of certain commercial properties in Huiyang Lijiang Garden for the period from 16 September 2020 to 31 December 2025. The service fees for the abovementioned services was agreed and paid by Huiyang Yuehai on a quarterly basis and was calculated at 11-16% of the actual rental income to be received by Huiyang Yuehai derived from the relevant tenancies in respect of Huiyang Lijiang Garden;
- (xiii) On 13 November 2020, 江門市粵海置地房地產投資有限公司 (Jiangmen Yuehai Land Real Estate Investment Co., Ltd) (“GDL Jiangmen”) entered into an agreement (the “Jiangmen Yiguifu Sales Centre and Sample Units Property Services Agreement”) with Yuehai Property Management. Pursuant to the Jiangmen Yiguifu Sales Centre and Sample Units Property Services Agreement, Yuehai Property Management agreed to provide property services such as customer relations, utilities repair, security and order, cleaning, greening and pest control at the sales centre of Yiguifu for the period from 15 November 2020 to 31 December 2021. The service fees for the abovementioned services was agreed and paid by GDL Jiangmen to Yuehai Property Management on a monthly basis and was calculated at the agreed monthly rates on a pro rata basis;



# NOTES TO FINANCIAL STATEMENTS

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## 41. CONNECTED TRANSACTIONS (continued)

### (B) Continuing Connected Transactions (continued)

#### (e) Property Management Agreements (continued)

- (xiv) On 13 November 2020, 廣東粵海置地集團有限公司 (Guangdong Yuehai Land Holdings Ltd) (“Guangdong Yuehai Land”) entered into certain agreements (collectively, the “Shenzhen City Preliminary Property Services Agreement”) with Teem Management Co.. Pursuant to the Shenzhen City Preliminary Property Services Agreement, Teem Management Co agreed to provide property management services such as maintenance of common areas and public utilities, greening and cleaning for the properties of the Yuecai City (Northern Land) of the Buxin Project for two years commencing on 13 November 2020. The service fees for the abovementioned services was agreed and paid by Guangdong Yuehai Land to Teem Management Co on a monthly basis and was calculated at 10% of the total management fees collected in advance from property owners;
- (xv) On 13 November 2020, 廣東粵海房地產開發有限公司 (Guangdong Yuehai Property Development Co., Ltd) (“Guangdong Property Development”) entered into an agreement (the “Laurel House Second Supplemental Agreement”) with Yuehai Property Management. Pursuant to the Laurel House Second Supplemental Agreement, Yuehai Property Management agreed to provide property management services such as property management, centralised air-conditioning, entrusted collection and payment of water and electricity charges for the Laurel House Properties for one year commencing on 1 January 2021. The service fees for the abovementioned services was agreed and paid by Guangdong Property Development to Yuehai Property Management on a monthly basis and was calculated at the fixed property service fees per square metre;
- (xvi) On 19 November 2020, Guangdong Yuehai Land entered into an agreement (the “Supplemental Agreement to the Yuecai City Sales Centre Property Services Agreement”) with Yuehai Yueshenghuo, an indirect non-wholly owned subsidiary of Guangdong Holdings. Pursuant to the Supplemental Agreement to the Yuecai City Sales Centre Property Services Agreement, Yuehai Yueshenghuo agreed to provide property management services such as concierge services, customer services, traffic control, carpark management and utilities maintenance at the sales centre of Yuecai City for five months commencing on 1 January 2021. The service fees for the abovementioned services was agreed and paid by Guangdong Yuehai Land to Yuehai Yueshenghuo on a monthly basis and was calculated at the agreed monthly rates on a pro rata basis;
- (xvii) On 26 March 2021, 粵海科技(深圳)有限公司 (Yuehai Technology (Shenzhen) Co., Ltd) (“Yuehai Technology”) entered into an agreement (the “Second Buji Factory Property Services Agreement”) with Yuehai Yueshenghuo. Pursuant to the Second Buji Factory Property Services Agreement, Yuehai Yueshenghuo agreed to provide property management services such as security, building maintenance and utilities maintenance at the Buji Factory Property for two years commencing on 1 April 2021. The service fees for the abovementioned services was agreed and paid by Yuehai Technology to Yuehai Yueshenghuo on a monthly basis and was calculated at the agreed monthly rates on a pro rata basis;

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 41. CONNECTED TRANSACTIONS (continued)

### (B) Continuing Connected Transactions (continued)

#### (e) Property Management Agreements (continued)

- (xviii) On 26 March 2021, Yuehai Technology entered into an agreement (the “Second Shiyuan Factory Property Services Agreement”) with Yuehai Yueshenghuo. Pursuant to the Second Shiyuan Factory Property Services Agreement, Yuehai Yueshenghuo agreed to provide property management services such as security, building maintenance and utilities maintenance at the Shiyuan Factory Property for two years commencing on 1 April 2021. The service fees for the abovementioned services was agreed and paid by Yuehai Technology to Yuehai Yueshenghuo on a monthly basis and was calculated at the agreed monthly rates on pro rata basis;
- (xix) On 26 March 2021, Guangdong Yuehai Land entered into an agreement (the “Yuecai City North Tower Sales Centre and Sample Units Display Zone Property Management Agreement”) with Teem Management Co.. Pursuant to the Yuecai City North Tower Sales Centre and Sample Units Display Zone Property Management Agreement, Teem Management Co agreed to provide property management services such as security, customer services and repair and maintenance of equipment and facilities at the sales center and sample units display zone of Yuecai City north tower for one year commencing on 1 April 2021. The service fees for the abovementioned services was agreed and paid by Guangdong Yuehai Land to Teem Management Co. on a monthly basis and was calculated at the agreed monthly rates on pro rata basis;
- (xx) On 26 March 2021, GDL Jiangmen entered into an agreement (the “Yiguifu Preliminary Property Services Agreement”) with Yuehai Property Management. Pursuant to the Yiguifu Preliminary Property Services Agreement, Yuehai Property Management agreed to provide property management services such as maintenance, cleaning, greening, parking maintenance and order maintenance for public areas and public facilities at the Yiguifu for three years commencing on 26 March 2021. The service fees for the abovementioned services was agreed and paid by GDL Jiangmen to Yuehai Property Management on a lump sum basis and was calculated at the fixed property service fees per square metre or per car parking space;
- (xxi) On 26 March 2021, Jiangmen Yuehai entered into an agreement (the “Yuehai Laurel House Preliminary Property Services Agreement”) with Yuehai Property Management. Pursuant to the Yuehai Laurel House Preliminary Property Services Agreement, Yuehai Property Management agreed to provide maintenance, cleaning, greening, parking management and order maintenance for public areas and public facilities at the Yuehai Laurel House for three years commencing on 26 March 2021. The service fees for the abovementioned services was agreed and paid by Jiangmen Yuehai Land to Yuehai Property Management on a lump sum basis and was calculated at the fixed property service fees per square metre or per car parking space; and
- (xxii) On 26 March 2021, Jiangmen Yuehai entered into an agreement (the “Jiangmen GDH City Project Site (Sales Centre and Sample Units) Property Services Agreement”) with Yuehai Property Management. Pursuant to the Jiangmen GDH City Project Site (Sales Centre and Sample Units) Property Services Agreement, Yuehai Property Management agreed to provide property services such as daily customer services, equipment maintenance, order maintenance and cleaning at the Jiangmen GDH City Project site for the period from 26 March 2021 to 31 December 2021. The service fees for the abovementioned services was agreed and paid by Jiangmen Yuehai to Yuehai Property Management on a monthly basis and was calculated at the agreed monthly rates on pro rata basis.



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 41. CONNECTED TRANSACTIONS (continued)

### (B) Continuing Connected Transactions (continued)

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

The property management agreements under items (i), (ii), (iii), and (iv) are collectively referred to as the “New Property Management Services Agreements”. During the year ended 31 December 2021, the total amount paid in accordance with the terms of the New Property Management Services Agreements amounted to approximately RMB37,333,000 (equivalent to approximately HK\$44,968,000) (2020: RMB26,096,000 (equivalent to approximately HK\$29,366,000), under the agreement(s) in force over the relevant previous period).

The property management agreements under items (v), (vi), (vii) and (viii) are collectively referred to as the “Existing Property Management Services Agreements”. During the year ended 31 December 2021, the total amount paid in accordance with the terms of the Existing Property Management Services Agreements amounted to approximately RMB5,090,000 (equivalent to approximately HK\$6,131,000) (2020: RMB1,579,000 (equivalent to approximately HK\$1,777,000), under the agreement(s) in force over the relevant previous period).

The property management agreements under items (ix), (x), (xi) and (xii) are collectively referred to as the “Huizhou Property Management Agreements”. During the year ended 31 December 2021, the total amount paid in accordance with the terms of the Huizhou Property Management Agreements amounted to approximately RMB296,000 (equivalent to approximately HK\$357,000).

The property management agreements under items (xiii), (xiv), (xv) and (xvi) are collectively referred to as the “Signed Property Management Agreements”. During the year ended 31 December 2021, the total amount paid in accordance with the terms of the Signed Property Management Agreements amounted to approximately RMB7,360,000 (equivalent to approximately HK\$8,865,000) (2020: RMB609,000 (equivalent to approximately HK\$685,000), under the agreement(s) in force over the relevant previous period).

The property management agreements under items (xvii), (xviii), (xix), (xx), (xxi) and (xxii) are collectively referred to as the “New Property Management Agreements”. During the year ended 31 December 2021, the total amount paid in accordance with the terms of the New Property Management Agreements amounted to approximately RMB7,930,000 (equivalent to approximately HK\$9,552,000).

#### (f) *Framework Agreement in relation to Property Management Services*

On 10 May 2021, the Company and Yuehai Property Management entered into an agreement in relation to Property Management Services (the “Property Management Services Framework Agreement”) provided by the Yuehai Property Management Group. Pursuant to the Property Management Services Framework Agreement, the Yuehai Property Management Group agreed to provide certain property management services such as maintenance of properties, on-site consulting services and construction site management services, and assisting 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 41. CONNECTED TRANSACTIONS (continued)

### (B) Continuing Connected Transactions (continued)

#### (f) *Framework Agreement in relation to Property Management Services* (continued)

During the period from 10 May 2021 to 31 December 2021, Yuehai Property Management entered into certain specific agreements for the provision of property management services, which set out the detailed terms for the relevant transactions contemplated under the Properties Management Services Framework Agreement, with the following subsidiaries under GD Water Group; 郁南縣粵海環保有限公司 (Yunanzian Yuehai Huanbao Co., Ltd); 雲浮市粵海環保有限公司 (Yunfushi Yuehai Huanbao Co., Ltd); 雲浮市粵海清源環保有限公司 (Yunfushi Yuehai Qingyuan Huanbao Co., Ltd); 雲浮粵海水務有限公司 (Yunfu Guangdong Water Co., Ltd); 雲浮市雲安區怡源環保有限公司 (Yunfushi Yunanqu Yiyuan Huanbao Co., Ltd); 雲浮市自來水有限公司 (Yunfushi Tap Water Co., Ltd); two branches of 廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Co., Ltd), and the following subsidiaries under GD Land Group; 珠海粵海置地有限公司 (Zhuhai GDH Land Co., Ltd); 中山粵海置地有限公司 (Zhongshan GDH Land Co., Ltd); and 佛山粵海置地有限公司 (Foshan GDH Land Co., Ltd); 江門粵海置地有限公司 (Jiangmen Yuehai Landmark Co., Ltd); and 惠州市粵海房地產開發有限公司 (Huizhoushi Yuehai Real Estate Development Co., Ltd).

During the year ended 31 December 2021, the total amount paid in accordance with the terms of the Properties Management Services Framework Agreement amounted to approximately RMB20,284,000 (equivalent to approximately HK\$24,432,000).

#### (g) *Consortium Agreement and Supplemental Consortium Agreement of Yangtze River Water Diversion Project*

On 18 May 2019, the Private Partners successfully bid for the Yangtze River Water Diversion Project as mentioned in note 41(A)(a) in this Report. According to the relevant law, the Private Partners signed a consortium agreement on 7 January 2019, according to which, each of the Private Partners will be jointly and severally liable for the Yangtze River Water Diversion Project. As such, each of the Company and Guangdong Water Co. is contingently liable for the other's liability, constituting the Company's financial assistance to Guangdong Water Co. After deducting the registered capital of approximately RMB231,132,300 (equivalent to approximately HK\$269,430,922) injected by Xinghua City Construction Investment Co., Ltd. into the joint venture company, a limited liability company to be established by the Private Partners and Xinghua City Construction Investment Co., Ltd. in the PRC pursuant to the Joint Venture Agreement, the Company is likely to invest a maximum of approximately RMB2,528,656,700 (equivalent to approximately HK\$2,947,655,115) in relation to the Yangtze River Water Diversion Project, inter alia, the Company shall be liable in respect of the obligation of Guangdong Water Co in the maximum amount of RMB400,169,405 (being 14.5% of the total investment of Guangdong Water Co in the Yangtze River Water Diversion Project, equivalent to approximately HK\$466,477,475) (the "Financial Assistance").

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 41. CONNECTED TRANSACTIONS (continued)

### (B) Continuing Connected Transactions (continued)

#### (g) Consortium Agreement and Supplemental Consortium Agreement of Yangtze River Water Diversion Project (continued)

The Private Partners also signed a supplemental consortium agreement on 6 May 2019, pursuant to which, each of the Private Partners will inject the registered capital in the proportion of their equity interests at the same time whilst the Company and Guangdong Water Co shall be liable for not more than the balance of the total investment of the Yangtze River Water Diversion Project in the relevant proportion of their respective equity interests. It entails that the Company and Guangdong Water Co shall only undertake not more than the project financing and/or guarantee liability of the Yangtze River Water Diversion Project. Accordingly, taking into account the proportionate registered capital contributed by Jiangsu Chunghe Yongtai and CFMG, together with Guangdong Water Co's proportionate registered capital contribution and responsibility for the project financing and/or joint guarantees, the Company is likely to invest a maximum of RMB1,891,139,837 (equivalent to approximately HK\$2,204,501,708).

During the year ended 31 December 2021, the amount of the Financial Assistance by the Company did not exceed the maximum amount of the Financial Assistance as mentioned in the announcement dated 20 May 2019.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have unanimously confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 (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.

## 42. PLEDGE OF ASSETS

Details of the Group's assets, which are pledged for the Group's bank and other borrowings, guarantee and performance obligations of certain service concession agreements, are set out in notes 14, 15, 21, 25 and 28 to these financial statements.

## 43. 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.

# NOTES TO FINANCIAL STATEMENTS

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## 43. DEFINED BENEFIT OBLIGATIONS (continued)

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:

	<b>2021</b>
Discount rate (%)	<b>3.35% – 3.50%</b>
Expected rate of salary increases (%)	<b>9.50% – 10.00%</b>

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 %
2021				
Discount rate	<b>0.25</b>	<b>(5%)</b>	<b>0.25</b>	<b>5%</b>

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 43. DEFINED BENEFIT OBLIGATIONS (continued)

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

	HK\$'000
At 1 January 2020, 31 December 2020 and 1 January 2021	–
Business combinations through acquisition of subsidiaries	115,869
Current service cost	4,954
Interest cost	4,592
Benefit paid	(606)
Actuarial losses	5,705
Exchange differences	3,630
	<hr/>
At 31 December 2021	<b>134,144</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 12 years (2020: Nil).

The movements in the defined benefit obligations are as follows:

### 2021

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 44. FINANCIAL INSTRUMENTS BY CATEGORY

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

### Financial assets

2021

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

### Financial assets (continued)

2020

	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	–	1,899,957	1,899,957
Equity investments designated at fair value through other comprehensive income	15,031	–	15,031
Financial assets included in receivables under service concession arrangements	–	5,906,951	5,906,951
Financial assets included in receivables, prepayments and other receivables	–	4,425,622	4,425,622
Due from non-controlling equity holders of subsidiaries	–	816,232	816,232
Restricted bank balances	–	117,254	117,254
Cash and cash equivalents	–	10,367,484	10,367,484
	<u>15,031</u>	<u>23,533,500</u>	<u>23,548,531</u>

### Financial liabilities

	Financial liabilities at amortised cost	
	2021 HK\$'000	2020 HK\$'000
Financial liabilities included in payables, accruals and other liabilities	21,032,245	5,664,192
Due to non-controlling equity holders of subsidiaries	1,196,047	1,180,059
Bank and other borrowings	28,741,353	11,201,845
Lease liabilities	1,026,438	529,213
	<u>51,996,083</u>	<u>18,575,309</u>

## 45. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Aside from the 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 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, the put option 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 2021 and 31 December 2020 because of the immediate or short-term maturities of these financial instruments.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 45. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the receivables under a cooperative arrangement, the non-current portion of receivables under service concession arrangements, the non-current portion of financial assets included in receivables, prepayments and other receivables, the non-current portion of bank and other borrowings, the put option, 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 2021 and 31 December 2020 was assessed to be insignificant. The carrying amounts of these assets and liabilities approximate to their fair values.

The fair value of unlisted equity investments designated at fair value through other comprehensive income has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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 2021 and 2020:

	<b>Valuation technique</b>	<b>Significant unobservable input</b>	<b>Range</b>	<b>Sensitivity of fair value to the input</b>
Unlisted equity investments	Market multiples	Average P/E multiple of peers	2021: 7.07 (2020: 11.58)	The higher the multiple, the higher the fair value
		Discount for lack of marketability	2021: 26.45% (2020: 26.45%)	The higher the discount, the lower the fair value

The fair value of the financial instruments in Level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.



# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 45. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### 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	
<i>As at 31 December 2021</i>				
Equity investments designated at fair value through other comprehensive income	–	18,958	11,610	30,568

#### *As at 31 December 2020*

Equity investments designated at fair value through other comprehensive income	–	–	15,031	15,031
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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 (2020: Nil).

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

	2021 HK\$'000	2020 HK\$'000
Equity investments at fair value through other comprehensive income:		
At 1 January	15,031	10,146
Total gains/(losses) recognised in other comprehensive income	(3,804)	181
Business combinations through acquisition of subsidiaries (note 34)	–	3,722
Exchange realignment	383	982
At 31 December	11,610	15,031

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 46. 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 cash equivalents, lease liabilities and short term time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as receivables under service concession arrangements, trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### (i) Interest rate risk

The Group's exposure to the risk for changes in market interest rate relates primarily to the Group's debt obligations with a floating interest rate.

With all other variables held constant, a general increase of 100 basis points in the interest rate would have decreased the Group's profit before tax by HK\$285,598,000 for the year ended 31 December 2021. Whereas, a general decrease of 10 basis points in the interest rate would have increased the Group's profit before tax by HK\$28,560,000 for the year ended 31 December 2021.

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\$111,030,000 for the year ended 31 December 2020. Whereas, a general decrease of 10 basis points in the interest rate would have increased the Group's profit before tax by HK\$11,030,000 for the year ended 31 December 2020.

### (ii) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from revenue or expenses of operating units in currencies other than the units' functional currencies. The Group's monetary assets, financing and transactions were principally denominated in RMB and HK\$. The Group is exposed to foreign exchange risk arising from changes in the exchange rate of HK\$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future as may be necessary.

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

With all other variables held constant, if the Hong Kong dollar strengthened against the RMB exchange rate by three percent, the Group's profit before tax would have increased by HK\$60,256,000 for the year ended 31 December 2020. Whereas, if the Hong Kong dollar weakened against the RMB exchange rate by three percent, the Group's profit before tax would have decreased by HK\$60,256,000 for the year ended 31 December 2020.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (iii) Credit risk

The Group trades only with creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

#### **Maximum exposure and year-end staging as at 31 December 2021**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

	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*	–	–	–	2,188,942	2,188,942
Receivables under a cooperative arrangement	2,346,599	–	–	–	2,346,599
Due from associates	14,891	–	–	–	14,891
Due from non-controlling equity holders of subsidiaries	849,731	–	–	–	849,731
Receivables and contract assets under service concession arrangements	18,478,212	–	–	–	18,478,212
Financial assets and contract assets included in receivables, prepayments and other receivables					
– Normal**	533,866	–	–	524,700	1,058,566
Restricted bank balances					
– Not yet past due	469,412	–	–	–	469,412
Cash and cash equivalents					
– Not yet past due	9,595,100	–	–	–	9,595,100
	<b>32,287,811</b>	<b>–</b>	<b>–</b>	<b>2,713,642</b>	<b>35,001,453</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (iii) Credit risk (continued)

#### **Maximum exposure and year-end staging as at 31 December 2020**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

	12-month	Lifetime ECLs			Total HK\$'000
	ECLs	Stage 2	Stage 3	Simplified	
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	approach HK\$'000	
Trade receivables*	–	–	–	1,125,188	1,125,188
Receivables under a cooperative arrangement	1,899,957	–	–	–	1,899,957
Due from associates	25,339	–	–	–	25,339
Due from non-controlling equity holders of subsidiaries	816,232	–	–	–	816,232
Receivables and contract assets under service concession arrangements	11,301,669	–	–	–	11,301,669
Financial assets and contract assets included in receivables, prepayments and other receivables					
– Normal**	3,302,356	–	–	192,804	3,495,160
Restricted bank balances					
– Not yet past due	117,254	–	–	–	117,254
Cash and cash equivalents					
– Not yet past due	10,367,484	–	–	–	10,367,484
	<u>27,830,291</u>	<u>–</u>	<u>–</u>	<u>1,317,992</u>	<u>29,148,283</u>

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

\*\* The credit quality of the financial assets included in receivables, prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Except for the financial guarantees given by the Group as set out in note 38, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 38.

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (iv) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of external/group financing and market rates. The PRC government has implemented and continues to implement certain adjustment measures aimed at managing the fluctuations of the real estate market. The Group continues to adopt prudent liquidity risk management which includes maintaining sufficient cash and bank balances, and having available committed financing through its available credit facilities from banks and fellow subsidiaries to cope with the regulatory development and macro economic changes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000
31 December 2021						
Financial liabilities included in payables, accruals and other liabilities	11,624,220	7,434,595	726,392	1,247,039	–	21,032,246
Due to non-controlling equity holders of subsidiaries	–	–	1,080,315	115,732	–	1,196,047
Bank and other borrowings	–	1,290,851	6,448,553	17,557,868	6,769,277	32,066,549
Lease liabilities	16,945	24,346	71,505	548,791	792,700	1,454,287
	<b>11,641,165</b>	<b>8,749,792</b>	<b>8,326,765</b>	<b>19,469,430</b>	<b>7,561,977</b>	<b>55,749,129</b>
	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000
31 December 2020						
Financial liabilities included in payables, accruals and other liabilities	1,068,465	2,959,059	171,993	1,798,444	–	5,997,961
Due to non-controlling equity holders of subsidiaries	–	–	1,180,059	–	–	1,180,059
Bank and other borrowings	–	34,024	5,968,288	4,817,043	2,321,614	13,140,969
Lease liabilities	–	19,087	61,051	355,059	218,500	653,697
	<b>1,068,465</b>	<b>3,012,170</b>	<b>7,381,391</b>	<b>6,970,546</b>	<b>2,540,114</b>	<b>20,972,686</b>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (iv) Liquidity risk (continued)

The Group is exposed to liquidity risk that arises from financial guarantees as set out in note 38 to the financial statements. As at 31 December 2021, 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\$898,781,000 (2020: HK\$1,284,465,000).

### Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital using a net debt to adjusted capital ratio which is net debt divided by total adjusted capital. The Group's policy is to keep the ratio lower than 100%. Net debt includes amounts due to non-controlling equity holders of subsidiaries and bank and other borrowings, less cash and cash equivalents.

	2021 HK\$'000	2020 HK\$'000
Due to non-controlling equity holders of subsidiaries	1,196,047	1,180,059
Bank and other borrowings	28,741,353	11,201,845
Less: Cash and cash equivalents	(9,595,100)	(10,367,484)
Net debt	<u>20,342,300</u>	<u>2,014,420</u>
Equity attributable to owners of the Company	<u>46,210,698</u>	<u>44,227,798</u>
Net debt to adjusted capital ratio	<u>44%</u>	<u>5%</u>

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 47. 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:

	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	4,477	3,067
Investments in subsidiaries	17,284,827	13,462,400
Investments in associates	467,880	439,123
Total non-current assets	<u>17,757,184</u>	<u>13,904,590</u>
CURRENT ASSETS		
Amounts due from subsidiaries	11,563,610	12,294,332
Receivables, prepayments and other receivables	1,008	12,235
Cash and cash equivalents	71,714	1,481,789
Total current assets	<u>11,636,332</u>	<u>13,788,356</u>
CURRENT LIABILITIES		
Amounts due to subsidiaries	(5,451,410)	(6,986,231)
Payables, accruals and other liabilities	(101,684)	(89,283)
Tax payables	(1,716)	(1,287)
Bank borrowings	(3,260,000)	(4,638,882)
Total current liabilities	<u>(8,814,810)</u>	<u>(11,715,683)</u>
NET CURRENT ASSETS	<u>2,821,522</u>	<u>2,072,673</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>20,578,706</u>	<u>15,977,263</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	(51,192)	(39,603)
Bank borrowings	(2,991,247)	–
Total non-current liabilities	<u>(3,042,439)</u>	<u>(39,603)</u>
Net assets	<u>17,536,267</u>	<u>15,937,660</u>
EQUITY		
Share capital	8,966,177	8,966,177
Reserves (note)	8,570,090	6,971,483
Total equity	<u>17,536,267</u>	<u>15,937,660</u>

Hou Wailin  
Director

Liang Yuanjuan  
Director

# NOTES TO FINANCIAL STATEMENTS

31 December 2021

## 47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	<b>Capital reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Retained profits</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	1,733,711	(14,813)	3,846,282	5,565,180
Total comprehensive income for the year	–	–	5,207,393	5,207,393
Final 2019 dividend paid	–	–	(2,647,818)	(2,647,818)
Interim 2020 dividend paid	–	–	(1,153,272)	(1,153,272)
At 31 December 2020 and 1 January 2021	<b>1,733,711</b>	<b>(14,813)</b>	<b>5,252,585</b>	<b>6,971,483</b>
Total comprehensive income for the year	–	–	5,486,649	5,486,649
Final 2020 dividend paid	–	–	(2,700,120)	(2,700,120)
Interim 2021 dividend paid	–	–	(1,187,922)	(1,187,922)
At 31 December 2021	<b>1,733,711</b>	<b>(14,813)</b>	<b>6,851,192</b>	<b>8,570,090</b>

## 48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2022.



# MAJOR PROPERTIES HELD BY THE GROUP

31 December 2021

## DETAILS OF PROPERTY, PLANT AND EQUIPMENT

Property	Lot No.	Use
Wharney Hotel (Hong Kong) 57-73 Lockhart Road and 84-88 Jaffe Road Wan Chai Hong Kong	Subsection 1 of Section E and Subsection 2 of Section D of Inland Lot No. 2819, Section F of Inland Lot No. 2818, the remaining portion of Inland Lot No. 2817, Section G of Inland Lot No. 2818 and the remaining portion of Section D of Inland Lot No. 2817	Hotel
Oasis Avenue-A GDH Hotel (Hong Kong) 18 Prat Avenue Tsimshatsui Kowloon Hong Kong	Kowloon Inland Lot Nos. 8340, 8342, 8550, 8748 and 8915	Hotel
Sheraton Guangzhou Hotel No. 208 Tianhe Road Tianhe District Guangzhou Guangdong Province Mainland China	N/A	Hotel
Guangdong Hotel (Shen Zhen) Shennan East Road Luohu District Shenzhen Guangdong Province Mainland China	N/A	Hotel
Guangdong Hotel (Zhu Hai) No. 1145 Yuehai Road East Gongbei, Zhuhai Guangdong Province Mainland China	N/A	Hotel
GDH Energy Project Lands and various buildings and structures of Huang Pu Town Zhongshan City Guangdong Province Mainland China	N/A	Factory
Flat Roof of 2nd Floor, 18th Floor, Unit B on 22nd Floor, 28th Floor, Units A and B2 on 29th Floor Guangdong Investment Tower 148 Connaught Road Central Hong Kong	Part of Marine Lot No. 332, Marine Lot No. 333, Section A and the remaining portion of Marine Lot No. 334, Marine Lot No. 335, Section A and the remaining portion of Marine Lot No. 336, Inland Lot No. 2142 and Inland Lot No. 2143	Office
Qingxi Water Distribution Facilities by the side of Shangyuan Road Sanken Reservoir, by the side of Donghuan Road Qiyeshi Reservoir and No. 28 Qingxi Avenue Qingxi Town Dongguan Guangdong Province Mainland China	N/A	Water distribution facilities

# MAJOR PROPERTIES HELD BY THE GROUP

31 December 2021

## DETAILS OF OPERATING CONCESSION RIGHTS

### Intangible Assets

### Existing use

Water Supply Project's (from Dongguan to Shenzhen) land use rights, reservoirs and related buildings

Water Distribution

Toll Road Project's operating rights and related buildings

Toll Road

## DETAILS OF INVESTMENT PROPERTIES

Property	Interest in property attributable to the Group	Category of lease	Existing use
Teem Tower and Teemall No. 208 Tianhe Road Tianhe District, Guangzhou Guangdong Province Mainland China	76.13%	Medium term	Commercial and shopping mall
Ground Floor, 1st Floor, 5th-10th Floors, Unit A and B2 of 11th Floor, 12th Floor, 16th Floor, 19th Floor, Unit B on 20th Floor, Unit A on 22nd Floor, 23rd Floor, 25th-27th Floors, Unit B1 on 29th Floor and 30th Floor Guangdong Investment Tower 148 Connaught Road Central, Hong Kong	100%	Long term	Commercial
Tianjin Teem Shopping Mall No. 263 Heping Road Heping District Tianjin, Mainland China	76.02%	Medium term	Shopping mall
Panyu GDH Plaza, No. 81 Wanhui 2 Road, No. 180 Wanbo 2 Road, Nancun Town, Panyu District, Guangzhou, Guangdong Province, Mainland China	31.06%	Medium term	Shopping mall

# MAJOR PROPERTIES HELD BY THE GROUP

31 December 2021

## DETAILS OF INVESTMENT PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

Property	Interest in property attributable to the Group	Site area (sq. m.)	Gross floor area (sq. m.)	Existing use
Northern Land and Southern Land of Shenzhen GDH City 3008 Taibai Road, Luohu District, Shenzhen, Guangdong, PRC	73.82%	49,846	346,051	Commercial/ office/mall
The Chenyuan Road Project Pengjiang District, Jiangmen City, Guangdong, PRC	73.82%	59,705	164,216	Residential/ Commercial service
The Zhuhai Jinwan Project West of Jinhui Road and North of Jinhe East Road, Jinwan District, Zhuhai City, Guangdong, PRC	73.82%	66,090	166,692	Residential/ Commercial
The Foshan Laurel House Project West of Wenhua Road, South of Liming Second Road, Chancheng District, Foshan City, Guangdong, PRC	73.82%	43,284	151,493	Residential/ Commercial
The Zhongshan GDH City Project Tsuihang New District, Zhongshan City, Guangdong, PRC	72.08%	98,811	247,028	Residential
The Jiangmen Ganhua Project East of Ganbei Road, Pengjiang District, Jiangmen City, Guangdong, PRC	37.65%	174,538	396,600	Residential/ Commercial
The Huizhou Dayawan Project Mamiao, Aotou, Dayawan District, Huizhou City, Guangdong, PRC	73.82%	30,698	92,094	Residential/ Commercial
Guangzhou Yungang Town Project Baiyun New Town, Baiyun District, Guangzhou City, PRC	73.82%	114,463	506,000	Residential/ Commercial

# MAJOR PROPERTIES HELD BY THE GROUP

31 December 2021

## DETAILS OF COMPLETED PROPERTIES HELD FOR SALE

Property	Interest in property attributable to the Group	Site area (sq. m.)	Gross floor area (sq. m.)	Existing use
Northwestern Land of the Shenzhen GDH City 3008 Taibai Road, Luohu District, Shenzhen, Guangdong, PRC	73.82%	16,680	114,654	Business apartment/commercial
Guangzhou Laurel House Nos. 43-79 Zhuguang Road, Yuexiu District, Guangzhou City, Guangdong, PRC	73.82%	12,168	119,267*	Residential/Car-parking spaces
Ruyingju South of Sanzhi Xiangshui Road, Dongxiang Village, Dashi Town, Panyu District, Guangzhou, Guangdong, PRC	59.06%	38,771	126,182	Residential/Car-parking spaces
Baohuaxuan Nos. 15-21 Baohua Land South Wenchang South Road, Liwan District, Guangzhou City, Guangdong, PRC	73.82%	1,374	5,241	Residential

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



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