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**北控水務集團有限公司**

BEIJING ENTERPRISES WATER GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 371)**

## **FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

### **HIGHLIGHTS**

- Profit attributable to shareholders of the Company decreased by 15% to HK\$4,183.5 million for the year ended 31 December 2020 as compared to HK\$4,925.7 million for the last year.
- EBITDA amounted to HK\$9,727.1 million, representing a decrease of 8% as compared with that of HK\$10,584.6 million in the last year.
- Basic and diluted earnings per share for the year were HK41.57 cents and HK41.16 cents respectively.
- Final cash distribution of HK7.8 cents per share is proposed for the year ended 31 December 2020. Full-year distributions are HK16.2 cents, the dividend payout ratio is 39%.
- Total daily design capacity for new projects secured for the year was 3,801,454 tons. Due to different reasons such as expiration of projects, the Group exited projects with aggregate daily design capacity of 1,065,600 tons during the year. As such, the net increase in total daily design capacity of the year was 2,735,854 tons. As at 31 December 2020, total daily design capacity was 42,124,736 tons (31 December 2019: 39,388,882 tons).

## RESULTS

The board (the “Board”) of directors (the “Directors”) of Beijing Enterprises Water Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 and the consolidated statement of financial position of the Group as at 31 December 2020, with comparative figures for the year ended 31 December 2019, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	3	<b>25,360,587</b>	28,192,464
Cost of sales		<b>(15,630,932)</b>	(18,025,661)
Gross profit		<b>9,729,655</b>	10,166,803
Interest income		<b>697,401</b>	695,662
Other income and gains, net		<b>1,312,575</b>	1,308,859
Administrative expenses		<b>(2,526,199)</b>	(2,499,597)
Other operating expenses, net		<b>(1,235,571)</b>	(619,224)
PROFIT FROM OPERATING ACTIVITIES	4	<b>7,977,861</b>	9,052,503
Finance costs	5	<b>(2,549,124)</b>	(2,432,792)
Share of profits and losses of:			
Joint ventures		<b>729,681</b>	551,395
Associates		<b>330,781</b>	384,986
PROFIT BEFORE TAX		<b>6,489,199</b>	7,556,092
Income tax expense	6	<b>(1,248,658)</b>	(1,713,503)
PROFIT FOR THE YEAR		<b><u>5,240,541</u></b>	<u>5,842,589</u>
ATTRIBUTABLE TO:			
Shareholders of the Company		<b>4,183,466</b>	4,925,718
Holders of perpetual capital instruments		<b>232,180</b>	234,830
Non-controlling interests		<b>824,895</b>	682,041
		<b><u>5,240,541</u></b>	<u>5,842,589</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
– Basic		<b><u>HK41.57 cents</u></b>	<u>HK49.77 cents</u>
– Diluted		<b><u>HK41.16 cents</u></b>	<u>HK49.04 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2020*

	<b>2020</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	<b>5,240,541</b>	5,842,589
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange fluctuation reserve:		
– Translation of foreign operations	<b>4,551,522</b>	(907,007)
– Release upon disposal of subsidiaries	<b>2,871</b>	(372)
– Release upon deemed disposal of partial interest in associates	<b>(3,552)</b>	–
	<u><b>4,550,841</b></u>	<u>(907,379)</u>
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
– Share of other comprehensive income/(loss) of a joint venture	<b>2,050</b>	(3,786)
– Changes in fair value of equity investments designated at fair value through other comprehensive income	<b>(74,669)</b>	2,380
	<u><b>(72,619)</b></u>	<u>(1,406)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	<u><b>4,478,222</b></u>	<u>(908,785)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><b>9,718,763</b></u>	<u>4,933,804</u>
ATTRIBUTABLE TO:		
Shareholders of the Company	<b>7,692,950</b>	4,245,618
Holder of perpetual capital instruments	<b>604,263</b>	134,929
Non-controlling interests	<b>1,421,550</b>	553,257
	<u><b>9,718,763</b></u>	<u>4,933,804</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>ASSETS</b>			
Non-current assets:			
Property, plant and equipment		<b>4,700,229</b>	4,166,073
Right-of-use assets		<b>787,019</b>	754,286
Investment properties		<b>855,598</b>	806,785
Goodwill		<b>4,183,392</b>	4,032,698
Operating concessions		<b>5,556,365</b>	4,862,357
Other intangible assets		<b>358,928</b>	247,513
Investments in joint ventures		<b>9,968,952</b>	7,976,242
Investments in associates		<b>6,361,473</b>	5,262,302
Equity investments designated at fair value through other comprehensive income		<b>1,410,899</b>	1,404,379
Financial assets at fair value through profit or loss		<b>68,036</b>	80,258
Amounts due from contract customers		<b>42,314,218</b>	46,646,874
Receivables under service concession arrangements	<i>9</i>	<b>41,698,277</b>	32,033,313
Trade receivables	<i>10</i>	<b>12,277,112</b>	4,638,425
Prepayments, deposits and other receivables	<i>11</i>	<b>2,148,932</b>	2,650,265
Deferred tax assets		<b>264,250</b>	347,683
Total non-current assets		<b><u>132,953,680</u></b>	<u>115,909,453</u>
Current assets:			
Non-current assets held for sale		–	328,517
Inventories		<b>230,871</b>	243,074
Amounts due from contract customers		<b>3,091,651</b>	2,988,428
Receivables under service concession arrangements	<i>9</i>	<b>4,131,424</b>	3,815,388
Trade receivables	<i>10</i>	<b>8,955,073</b>	6,324,510
Prepayments, deposits and other receivables	<i>11</i>	<b>9,749,686</b>	9,178,814
Restricted cash and pledged deposits		<b>591,542</b>	212,827
Cash and cash equivalents		<b>14,697,194</b>	12,159,915
Total current assets		<b><u>41,447,441</u></b>	<u>35,251,473</u>
<b>TOTAL ASSETS</b>		<b><u><u>174,401,121</u></u></b>	<u><u>151,160,926</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2020

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Company</b>			
Issued capital		<b>1,002,160</b>	1,002,120
Perpetual capital instrument		<b>1,187,358</b>	–
Reserves		<b>35,154,294</b>	29,546,330
		<b>37,343,812</b>	30,548,450
<b>Perpetual capital instruments</b>		<b>6,623,082</b>	6,250,999
<b>Non-controlling interests</b>		<b>13,157,111</b>	9,731,727
		<b>19,780,193</b>	15,982,726
<b>TOTAL EQUITY</b>		<b>57,124,005</b>	46,531,176
<b>Non-current liabilities:</b>			
Other payables and accruals	<i>12</i>	<b>1,325,842</b>	1,040,162
Bank and other borrowings		<b>42,808,986</b>	30,353,035
Corporate bonds		<b>12,517,494</b>	16,598,747
Notes payable		<b>2,379,704</b>	2,245,023
Lease liabilities		<b>300,144</b>	394,435
Provision for major overhauls		<b>230,496</b>	242,562
Deferred income		<b>1,696,195</b>	1,297,695
Deferred tax liabilities		<b>4,096,254</b>	3,480,180
<b>Total non-current liabilities</b>		<b>65,355,115</b>	55,651,839
<b>Current liabilities:</b>			
Trade payables	<i>13</i>	<b>26,421,706</b>	26,892,990
Other payables and accruals	<i>12</i>	<b>9,639,580</b>	8,972,912
Income tax payables		<b>1,436,514</b>	1,294,006
Bank and other borrowings		<b>6,824,691</b>	9,023,192
Corporate bonds		<b>7,490,730</b>	1,966,157
Notes payables		–	699,746
Lease liabilities		<b>108,780</b>	128,908
<b>Total current liabilities</b>		<b>51,922,001</b>	48,977,911
<b>TOTAL LIABILITIES</b>		<b>117,277,116</b>	104,629,750
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>174,401,121</b>	151,160,926

## **NOTES:**

### **1.1. BASIS OF PRESENTATION**

Despite that the Group had net current liabilities of HK\$10.5 billion and capital commitments of approximately HK\$21.1 billion (comprising the Group's capital commitments and the Group's share of joint ventures' own capital commitments) in aggregate as at 31 December 2020, the directors consider that the Group will have adequate funds available to enable it to operate as a going concern, based on the Group's cash flow projection which, inter alia, take into account the historical operating performance of the Group and the following:

- (a) the existing banking facilities available to the Group as at 31 December 2020 and on the assumption that such facilities will continue to be available from the Group's principal bankers;
- (b) certain of the above-mentioned total capital commitments are expected to be fulfilled by the Group after 2021 with reference to the terms of respective agreements and the current status of the projects; and
- (c) the Company will consider equity financing when necessary.

Accordingly, these financial statements have been prepared on the going concern basis which assumes, inter alia, the realisation of assets and satisfaction of liabilities in the normal course of business.

### **1.2. BASIS OF PREPARATION**

The financial statements of the Group 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 (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Company Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Hong Kong dollars 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 for the year ended 31 December 2020. 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 shareholders 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.

### 1.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.



- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (d) Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective and shall be applied retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendment did not have any impact on the financial position and performance of the Group as the Group did not get any rent concessions as a result of the covid-19 pandemic.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

## **2. OPERATING SEGMENT INFORMATION**

For management purposes, the Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit for the year attributable to shareholders of the Company. The profit for the year attributable to shareholders of the Company is measured consistently with the Group’s profit attributable to shareholders of the Company, except interest income on loans to joint ventures, interest income from joint venture partners, gain on deemed disposal of partial interest in associates, finance costs, share of profits and losses of certain joint ventures and associates, as well as head office and corporate income and expenses are excluded from such measurement.

**Year ended 31 December 2020**

	Sewage and reclaimed water treatment and construction services <i>HK\$'000</i>	Water distribution services <i>HK\$'000</i>	Technical and consultancy services and sale of machineries <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	19,401,874	2,703,320	3,255,393	25,360,587
Cost of sales	<u>(12,599,147)</u>	<u>(1,461,067)</u>	<u>(1,570,718)</u>	<u>(15,630,932)</u>
Gross profit	<u><u>6,802,727</u></u>	<u><u>1,242,253</u></u>	<u><u>1,684,675</u></u>	<u><u>9,729,655</u></u>
Segment results:				
The Group	6,712,450	1,170,843	1,226,254	9,109,547
Share of profits and losses of:				
Joint ventures	540,027	237,364	1,489	778,880
Associates	<u>25,971</u>	<u>–</u>	<u>–</u>	<u>25,971</u>
	<u><u>7,278,448</u></u>	<u><u>1,408,207</u></u>	<u><u>1,227,743</u></u>	<u><u>9,914,398</u></u>
Corporate and other unallocated income and expenses, net				(1,131,686)
Share of profits of joint ventures and associates				255,611
Finance costs				<u>(2,549,124)</u>
Profit before tax				6,489,199
Income tax expense				<u>(1,248,658)</u>
Profit for the year				<u><u>5,240,541</u></u>
Profit for the year attributable to shareholders of the Company:				
Operating segments	<u><u>5,664,860</u></u>	<u><u>1,022,955</u></u>	<u><u>1,077,764</u></u>	7,765,579
Corporate and other unallocated items				<u>(3,582,113)</u>
				<u><u>4,183,466</u></u>

Year ended 31 December 2019

	Sewage and reclaimed water treatment and construction services <i>HK\$'000</i>	Water distribution services <i>HK\$'000</i>	Technical and consultancy services and sale of machineries <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	23,019,257	2,598,664	2,574,543	28,192,464
Cost of sales	<u>(15,412,163)</u>	<u>(1,352,313)</u>	<u>(1,261,185)</u>	<u>(18,025,661)</u>
Gross profit	<u>7,607,094</u>	<u>1,246,351</u>	<u>1,313,358</u>	<u>10,166,803</u>
Segment results:				
The Group	7,538,309	1,194,897	929,527	9,662,733
Share of profits and losses of:				
Joint ventures	502,077	171,223	–	673,300
Associates	<u>2,393</u>	<u>–</u>	<u>86,032</u>	<u>88,425</u>
	<u>8,042,779</u>	<u>1,366,120</u>	<u>1,015,559</u>	10,424,458
Corporate and other unallocated income and expenses, net				(610,230)
Share of profits of joint ventures and associates				174,656
Finance costs				<u>(2,432,792)</u>
Profit before tax				7,556,092
Income tax expense				<u>(1,713,503)</u>
Profit for the year				<u>5,842,589</u>
Profit for the year attributable to shareholders of the Company:				
Operating segments	<u>6,183,529</u>	<u>1,012,243</u>	<u>840,513</u>	8,036,285
Corporate and other unallocated items				<u>(3,110,567)</u>
				<u>4,925,718</u>

## Geographical information

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from external customers:		
Mainland China	23,959,653	26,758,529
Elsewhere	<u>1,400,934</u>	<u>1,433,935</u>
	<u><u>25,360,587</u></u>	<u><u>28,192,464</u></u>

The revenue information by geographical area is based on the location of the customers.

## Information about major customers

During the year ended 31 December 2020, the Group had no transaction with any single external customer which contributed over 10% of the Group's total revenue for the year (2019: Nil).

## 3. REVENUE

An analysis of the Group's revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>		
Sewage and reclaimed water treatment services	6,257,537	5,141,788
Construction services	13,144,337	17,877,469
Water distribution services	2,703,320	2,598,664
Technical and consultancy services and sales of machineries	<u>3,255,393</u>	<u>2,574,543</u>
	<u><u>25,360,587</u></u>	<u><u>28,192,464</u></u>

Imputed interest income under service concession arrangements amounting to HK\$2,591,762,000 (2019: HK\$2,356,736,000) is included in the above revenue.

#### 4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of sewage and reclaimed water treatment services rendered	2,519,673	2,294,098
Cost of construction services	9,959,109	13,009,772
Cost of water distribution services	1,366,611	1,205,015
Cost of technical and consultancy services rendered and machineries sold	1,570,718	1,261,185
Depreciation of property, plant and equipment	360,843	269,253
Depreciation of right-of-use assets	82,027	50,455
Amortisation of operating concessions*	214,821	255,591
Amortisation of other intangible assets*	<u>31,074</u>	<u>20,384</u>

\* *The amortisation of operating concessions and other intangible assets for the year is included in "Cost of sales" and "Administrative expenses" on the face of the consolidated statement of profit or loss, respectively.*

#### 5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank and other loans	1,745,803	1,601,244
Interest on corporate bonds	883,480	810,607
Interest on notes payable	148,679	218,984
Interest on lease liabilities	<u>19,655</u>	<u>25,170</u>
Total interest expense	2,797,617	2,656,005
Increase in discounted amounts of provision for major overhauls arising from the passage of time	<u>24,262</u>	<u>21,016</u>
Total finance costs	2,821,879	2,677,021
Less: Interest included in cost of construction services	<u>(272,755)</u>	<u>(244,229)</u>
	<u><u>2,549,124</u></u>	<u><u>2,432,792</u></u>

## 6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2020. No provision for Hong Kong profits tax had been made in respect of the year ended 31 December 2019 as the Group did not generate any assessable profits arising in Hong Kong during that year.

The income tax provisions in respect of operations in Mainland China and other countries are calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions because (1) these companies are engaged in the operations of sewage and reclaimed water treatment; and/or (2) they have operations in the Western region of Mainland China that are qualified for a 15% concessionary corporate income tax rate for a prescribed period of time pursuant to the "Circular of the State Council on Policies and Measures Concerning the Large-scale Development of China's Western Regions" (Guo Fa 2000 No. 33) issued by the State Council of Mainland China.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong	12,282	–
Current – Mainland China	688,038	836,219
Current – Elsewhere	8,689	47,202
Overprovision in prior years	(7,889)	(14,903)
Deferred	547,538	844,985
	<u>1,248,658</u>	<u>1,713,503</u>
Total tax expense for the year	<u>1,248,658</u>	<u>1,713,503</u>

## 7. CASH DISTRIBUTIONS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim – HK8.4 cents (2019: HK10.7 cents) per ordinary share	841,780	1,071,926
Proposed final – HK7.8 cents (2019: HK7.8 cents) per ordinary share	781,684	781,653
	<u>1,623,464</u>	<u>1,853,579</u>

The proposed final cash distribution out of the contributed surplus account for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company, adjusted to reflect the distribution related to the perpetual capital instrument, for the year ended 31 December 2020, and the weighted average number of 10,021,261,445 (2019: 9,918,477,685) ordinary shares in issue less the weighted average number of 28,115,380 (2019: 22,170,910) ordinary shares held under the share award scheme of the Company during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to shareholders of the Company, adjusted to reflect the distribution related to the perpetual capital instrument and a dilutive effect of share options of an associate. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share amounts are based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Earnings</b>		
Profit for the year attributable to shareholders of the Company	<b>4,183,466</b>	4,925,718
Distribution related to the perpetual capital instrument	<u>(29,597)</u>	<u>–</u>
Profit used in the basic earnings per share calculation	<b>4,153,869</b>	4,925,718
Effect of dilution on earnings in respect of share options of an associate	<u>(2,946)</u>	<u>(3,434)</u>
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u><b>4,150,923</b></u>	<u>4,922,284</u>

	2020	2019
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares in issue		
less the weighted average number of shares held under the share award scheme during the year, used in the basic earnings per share calculation	<b>9,993,146,065</b>	9,896,306,775
Effect of dilution on weighted average number of ordinary shares		
– Share options which have dilutive effect	<b>77,603,573</b>	125,992,545
– Share awards which have dilutive effect	<b>13,102,049</b>	15,876,980
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<b><u>10,083,851,687</u></b>	<b><u>10,038,176,300</u></b>

## 9. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

In respect of the Group's receivables under service concession arrangements, the various group companies have different credit policies, depending on the requirements of the locations in which they operate. Aging analyses of receivables under service concession arrangements are regularly reviewed by senior management in order to minimise any credit risk arising from the receivables.

An ageing analysis of the Group's receivables under service concession arrangements as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Billed:		
Within 3 months	<b>1,813,299</b>	1,651,915
4 to 6 months	<b>962,064</b>	785,944
7 to 12 months	<b>584,949</b>	579,737
Over 1 year	<b>771,112</b>	797,792
	<b>4,131,424</b>	3,815,388
Unbilled:		
Non-current portion	<b>41,698,277</b>	32,033,313
Total	<b><u>45,829,701</u></b>	<b><u>35,848,701</u></b>



## 10. TRADE RECEIVABLES

The Group's trade receivables arise from the provision of construction services for comprehensive renovation projects, water distribution services on the Build-Own-Operate basis, technical and consultancy services and sale of machineries. The Group's trading terms with its customers are mainly on credit and each customer has a maximum credit limit. The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one month to three months, except for customers of the construction services for comprehensive renovation projects, which will settle the amounts owed to the Group in a number of specified instalments covering periods ranging from 1 year to 25 years. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Apart from the trade receivables of certain construction services for comprehensive renovation projects which bear interest at rates ranging from 4.8% to 15.0% (2019: 4.8% to 15.0%) per annum, all other trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Billed:		
Within 3 months	4,782,471	2,518,632
4 to 6 months	787,440	657,255
7 to 12 months	526,606	442,774
Over 1 year	2,858,556	2,705,849
Balance with extended credit period	<u>55,757</u>	<u>39,846</u>
	<b>9,010,830</b>	6,364,356
Unbilled*	<u>12,221,355</u>	<u>4,598,579</u>
	<b>21,232,185</b>	10,962,935
Portion classified as current assets	<u>(8,955,073)</u>	<u>(6,324,510)</u>
Non-current portion	<u><b>12,277,112</b></u>	<u><b>4,638,425</b></u>

\* *The unbilled balance was attributable to certain construction services rendered under contracts for comprehensive renovation projects which will be billed in accordance with the repayment terms stipulated in relevant construction services agreements entered into between the Group and the contract customers.*

**11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Prepayments	453,900	472,022
Deposits and other debtors	5,924,010	5,229,533
Advances to subcontractors and suppliers	4,981,623	5,553,654
Due from joint ventures	657,200	192,069
Due from associates	78,907	46,523
Due from non-controlling equity holders	247,378	248,829
Due from related parties	318,548	328,702
	<u>12,661,566</u>	<u>12,071,332</u>
Impairment	(762,948)	(242,253)
	<u>11,898,618</u>	<u>11,829,079</u>
Portion classified as current assets	(9,749,686)	(9,178,814)
	<u>2,148,932</u>	<u>2,650,265</u>

**12. OTHER PAYABLES AND ACCRUALS**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accruals	1,492,655	1,276,167
Other liabilities	4,114,104	3,786,316
Contract liabilities	1,341,315	1,095,259
Due to subcontractors	918,710	933,742
Due to joint ventures	2,124,076	1,610,261
Due to associates	60,738	62,000
Due to non-controlling equity holders	5,832	106,562
Due to related parties	316,916	477,412
Other taxes payables	591,076	665,355
	<u>10,965,422</u>	<u>10,013,074</u>
Portion classified as current liabilities	(9,639,580)	(8,972,912)
	<u>1,325,842</u>	<u>1,040,162</u>

### 13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	12,337,507	12,528,591
4 to 6 months	2,626,275	3,251,065
7 months to 1 year	3,111,790	3,568,579
1 to 2 years	4,408,766	3,970,541
2 to 3 years	1,917,398	2,046,778
Over 3 years	1,891,898	1,401,058
Balance with extended credit period	<u>128,072</u>	<u>126,378</u>
	<u><b>26,421,706</b></u>	<u><b>26,892,990</b></u>

The trade payables are non-interest-bearing and apart from certain trade payables relating to construction services for comprehensive renovation projects which are due for payments upon settlements of progress billings by the relevant contract customers, the other amounts are normally settled on 60-day terms.

### 14. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 31 December 2020 amounted to HK\$10,474,560,000 (2019: HK\$13,726,438,000) and HK\$122,479,120,000 (2019: HK\$102,183,015,000), respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year attributable to shareholders of the Company decreased by 15% to HK\$4,183.5 million. Revenue decreased by 10% to HK\$25,360.6 million as a result of decrease in revenue contribution from construction services for the water environmental renovation projects.

### 1. Financial highlights

The analysis of the Group's financial results during the year is set out in details below:

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	HK\$'M	%		HK\$'M	%
<b>1. Water treatment services</b>					
Sewage and reclaimed water treatment services					
China					
– Subsidiaries	5,919.0	23%	60%	2,555.2	
– Joint ventures and associates				279.8	
				2,835.0	37%
Overseas					
– Subsidiaries	338.6	1%	24%	37.3	–
	6,257.6	24%		2,872.3	37%
Water distribution services					
China					
– Subsidiaries	2,187.8	9%	48%	652.8	8%
– Joint ventures				193.5	2%
				846.3	10%
Overseas					
– Subsidiaries	515.5	2%	36%	132.8	2%
– Joint ventures				43.9	1%
				176.7	3%
	2,703.3	11%		1,023.0	13%
Subtotal	8,960.9	35%		3,895.3	50%

	Revenue		GP ratio		Profit attributable to shareholders of the Company	
	HK\$'M	%		%	HK\$'M	%
<b>2. Construction services for the water environmental renovation</b>						
Construction services for comprehensive renovation projects						
– Projects with completion rate more than 10% <sup>§</sup>	4,311.6	17%	26%	874.9	11%	
– Interest income	–	–	–	276.1	4%	
	4,311.6	17%	26%	1,151.0	15%	
Construction of BOT water projects	8,832.7	35%	23%	1,641.6	21%	
Subtotal	13,144.3	52%		2,792.6	36%	
<b>3. Technical services and sale of machineries for the water environmental renovation</b>	3,255.4	13%	52%	1,077.7	14%	
<b>Business results</b>	<u>25,360.6</u>	<u>100%</u>		<u>7,765.6</u>	<u>100%</u>	
<b>Others<sup>#</sup></b>				(3,582.1)		
<b>Total</b>				<u>4,183.5</u>		

<sup>#</sup> Others included head office expense and other cost, net, of HK\$1,029.2 million, share of profit of joint ventures and associates of HK\$255.6 million, share award expenses of HK\$27.2 million, finance costs of HK\$2,549.1 million and profit attributable to holders of perpetual capital instruments of HK\$232.2 million. Others represented items that cannot be allocated to the operating segments.

<sup>§</sup> Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK\$99.3 million.

The analysis of the Group's financial results during the last year is set out in details below:

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	HK\$'M	%		HK\$'M	%
<b>1. Water treatment services</b>					
Sewage and reclaimed water treatment services					
China					
– Subsidiaries	4,784.7	17%	55%	2,110.6	
– Joint ventures and associates				265.9	
				2,376.5	29%
Overseas					
– Subsidiaries	357.1	1%	25%	51.2	1%
	5,141.8	18%		2,427.7	30%
Water distribution services					
China					
– Subsidiaries	2,010.4	7%	51%	695.5	9%
– Joint ventures				139.5	2%
				835.0	11%
Overseas					
– Subsidiaries	588.3	2%	36%	145.5	2%
– Joint ventures				31.7	–
				177.2	2%
	2,598.7	9%		1,012.2	13%
Subtotal	7,740.5	27%		3,439.9	43%

	Revenue		GP ratio		Profit attributable to shareholders of the Company	
	HK\$'M	%		%	HK\$'M	%
<b>2. Construction services for the water environmental renovation</b>						
Construction services for comprehensive renovation projects						
– Projects with completion rate more than 10% <sup>§</sup>	7,399.7	27%	30%	1,661.0	21%	
– Interest income	–	–	–	206.6	2%	
	7,399.7	27%	30%	1,867.6	23%	
Construction of BOT water projects	10,477.8	37%	25%	1,888.3	24%	
Subtotal	17,877.5	64%		3,755.9	47%	
<b>3. Technical services and sale of machineries for the water environmental renovation</b>	2,574.5	9%	51%	840.5	10%	
<b>Business results</b>	<u>28,192.5</u>	<u>100%</u>		<u>8,036.3</u>	<u>100%</u>	
<b>Others<sup>#</sup></b>				(3,110.6)		
<b>Total</b>				<u>4,925.7</u>		

<sup>#</sup> Others included head office expense and other cost, net, of HK\$590.5 million, share of profit of joint ventures and associates of HK\$174.7 million, share award expenses of HK\$27.2 million, finance costs of HK\$2,432.8 million and profit attributable to holders of perpetual capital instruments of HK\$234.8 million. Others represented items that cannot be allocated to the operating segments.

<sup>§</sup> Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK\$192.4 million.

The comparison of the Group's financial results for the year ended 31 December 2020 and 2019 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	2020 HK\$'M	2019 HK\$'M	Increase/(Decrease) HK\$'M	%	2020 HK\$'M	2019 HK\$'M	Increase/(Decrease) HK\$'M	%
<b>1. Water treatment services</b>								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	5,919.0	4,784.7	1,134.3	24%	2,555.2	2,110.6	444.6	21%
– Joint ventures and associates					279.8	265.9	13.9	5%
					2,835.0	2,376.5	458.5	19%
GP ratio	60%	55%		5%				
Overseas								
– Subsidiaries	338.6	357.1	(18.5)	(5%)	37.3	51.2	(13.9)	(27%)
GP ratio	24%	25%		(1%)				
	6,257.6	5,141.8	1,115.8	22%	2,872.3	2,427.7	444.6	18%
Water distribution services								
China								
– Subsidiaries	2,187.8	2,010.4	177.4	9%	652.8	695.5	(42.7)	(6%)
– Joint ventures					193.5	139.5	54.0	39%
					846.3	835.0	11.3	1%
GP ratio	48%	51%		(3%)				
Overseas								
– Subsidiaries	515.5	588.3	(72.8)	(12%)	132.8	145.5	(12.7)	(9%)
– Joint ventures					43.9	31.7	12.2	38%
					176.7	177.2	(0.5)	–
GP ratio	36%	36%		–				
	2,703.3	2,598.7	104.6	4%	1,023.0	1,012.2	10.8	1%
Subtotal	8,960.9	7,740.5	1,220.4	16%	3,895.3	3,439.9	455.4	13%
<b>2. Construction services for the water environmental renovation</b>								
Construction services for comprehensive renovation projects								
– Projects with completion rate more than 10%	4,311.6	7,399.7	(3,088.1)	(42%)	874.9	1,661.0	(786.1)	(47%)
– Interest income	–	–	–	–	276.1	206.6	69.5	34%
	4,311.6	7,399.7	(3,088.1)	(42%)	1,151.0	1,867.6	(716.6)	(38%)
GP ratio	26%	30%		(4%)				
Construction of BOT water projects								
– China	8,832.7	10,477.8	(1,645.1)	(16%)	1,641.6	1,888.3	(246.7)	(13%)
GP ratio	23%	25%		(2%)				
Subtotal	13,144.3	17,877.5	(4,733.2)	(26%)	2,792.6	3,755.9	(963.3)	(26%)
<b>3. Technical services and sale of machineries for the water environmental renovation</b>								
GP ratio	52%	51%		1%				
Business results	25,360.6	28,192.5	(2,831.9)	(10%)	7,765.6	8,036.3	(270.7)	(3%)
Others					(3,582.1)	(3,110.6)	(471.5)	15%
Total					4,183.5	4,925.7	(742.2)	(15%)



## **2. Business review**

The principal businesses of the Group include operations in water treatment business, construction and technical services for the water environmental renovation. The coverage of the Group's water plants has extended to 20 provinces, 5 autonomous regions and 3 municipalities all across Mainland China.

### ***2.1 Water treatment services***

As at 31 December 2020, the Group entered into service concession arrangements and entrustment agreements for a total of 1,334 water plants and town-size sewage treatment facilities including 1,115 sewage treatment plants and town-size sewage treatment facilities, 174 water distribution plants, 43 reclaimed water treatment plants and 2 seawater desalination plants. Total daily design capacity for new projects secured for the year was 3,801,454 tons including Build-Operate-Transfer (“BOT”) projects of 413,000 tons, Transfer-Operate-Transfer (“TOT”) projects of 60,000 tons, Public-Private Partnership (“PPP”) projects of 2,414,112 tons, entrustment operation projects of 889,342 tons, and 25,000 tons through mergers and acquisitions.

Due to different reasons such as expiration of projects, the Group exited projects with aggregate daily design capacity of 1,065,600 tons during the year. As such, the net increase in daily design capacity of the year was 2,735,854 tons. As at 31 December 2020, total daily design capacity was 42,124,736 tons.

*During the year, the Group entered into eight service concession arrangements for town-size sewage treatment projects with aggregate daily capacity of 105,952 tons.*

Analysis of projects on hand is as follows:

	Sewage treatment	Reclaimed water treatment	Water distribution	Seawater desalination	Total
<i>(Tons)</i>					
<b>China</b>					
In operation	14,197,237	1,179,200	9,276,194	–	24,652,631
Not yet commenced operation/Not yet transferred	<u>10,115,591</u>	<u>1,599,000</u>	<u>3,836,942</u>	<u>50,000</u>	<u>15,601,533</u>
Subtotal	<u>24,312,828</u>	<u>2,778,200</u>	<u>13,113,136</u>	<u>50,000</u>	<u>40,254,164</u>
<b>Overseas</b>					
In operation	229,358	267,350	1,073,864	300,000	1,870,572
Not yet commenced operation/Not yet transferred	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Subtotal	<u>229,358</u>	<u>267,350</u>	<u>1,073,864</u>	<u>300,000</u>	<u>1,870,572</u>
Total	<u>24,542,186</u>	<u>3,045,550</u>	<u>14,187,000</u>	<u>350,000</u>	<u>42,124,736</u>
<i>(Number of water plants and town-size sewage treatment facilities)</i>					
<b>China</b>					
In operation	679	19	111	–	809
Not yet commenced operation/Not yet transferred	<u>389</u>	<u>19</u>	<u>27</u>	<u>1</u>	<u>436</u>
Subtotal	<u>1,068</u>	<u>38</u>	<u>138</u>	<u>1</u>	<u>1,245</u>
<b>Overseas</b>					
In operation	47	5	36	1	89
Not yet commenced operation/Not yet transferred	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Subtotal	<u>47</u>	<u>5</u>	<u>36</u>	<u>1</u>	<u>89</u>
Total	<u>1,115</u>	<u>43</u>	<u>174</u>	<u>2</u>	<u>1,334</u>

	<b>Number of plants and town-size sewage treatment facilities</b>	<b>Design capacity (Tons/Day)</b>	<b>Actual processing volume during the year* (Tons (M))</b>	<b>Revenue (HK\$'M)</b>	<b>Profit attributable to shareholders of the Company (HK\$'M)</b>
<b>Sewage and reclaimed water treatment services:</b>					
Mainland China:					
– Southern China	313	3,700,490	1,137.8	1,317.5	696.9
– Western China	173	2,190,200	591.3	1,110.2	502.0
– Shandong	39	1,879,000	533.8	717.7	387.5
– Eastern China	88	4,504,200	1,270.7	1,595.1	646.5
– Northern China	85	3,102,547	902.2	1,178.5	602.1
	698	15,376,437	4,435.8	5,919.0	2,835.0
Overseas	52	496,708	103.7	338.6	37.3
Subtotal	750	15,873,145	4,539.5	6,257.6	2,872.3
<b>Water distribution services:</b>					
Mainland China	111	9,276,194	1,849.5	2,187.8	846.3
Overseas <sup>§</sup>	37	1,373,864	186.6	515.5	176.7
Subtotal	148	10,650,058	2,036.1	2,703.3	1,023.0
Total	898	26,523,203	6,575.6	8,960.9	3,895.3

\* *Excluded entrustment operation contracts*

§ *Included a seawater desalination plant*

## *2.1.1 Sewage and reclaimed water treatment services*

### 2.1.1a Mainland China

As at 31 December 2020, the Group had 679 sewage treatment plants and town-size sewage treatment facilities and 19 reclaimed water plants in operation in Mainland China. Total daily design capacity in operation of sewage treatment plants and town-size sewage treatment facilities and reclaimed water plants reached to 14,197,237 tons (31 December 2019: 13,352,487 tons) and 1,179,200 tons (31 December 2019: 896,700 tons), respectively. The average daily processing volume is 12,425,755 tons\* and average daily treatment rate is 85%\*. The actual average contracted tariff charge of water treatment was approximately RMB1.28 per ton (31 December 2019: RMB1.17 per ton) for water plants. The actual aggregate processing volume for the year was 4,435.8 million tons, of which 3,982.4 million tons was contributed by subsidiaries and 453.4 million tons was contributed by joint ventures and associates. Total revenue for the year was HK\$5,919.0 million. Net profit attributable to shareholders of the Company was HK\$2,835.0 million, of which HK\$2,555.2 million was contributed by subsidiaries and HK\$279.8 million was contributed by joint ventures and associates. The information of sewage and reclaimed water treatment services in Mainland China is as follows:

#### Southern China

Plants in Southern China were mainly located in Guangdong Province, Hunan Province, Fujian Province and Shaanxi Province. As at 31 December 2020, there were 313 plants and town-size sewage treatment facilities with total daily design capacity of 3,700,490 tons, representing an increase of 63,350 tons or 2% as compared with last year. The actual aggregate processing volume for the year amounted to 1,137.8 million tons. The operating revenue and profit attributable to shareholders of the Company were HK\$1,317.5 million and HK\$696.9 million respectively during the year.

\* *Excluded entrustments operation contracts*

### Western China

Plants in Western China were mainly located in Yunnan Province, Guangxi Province, Sichuan Province and Guizhou Province. As at 31 December 2020, there were 173 sewage treatment plants and town-size sewage treatment facilities with total daily design capacity of 2,190,200 tons, representing an increase of 245,200 tons per day or 13% as compared with last year. The actual processing volume for the year was 591.3 million tons. The operating revenue of HK\$1,110.2 million was recorded during the year. Profit attributable to shareholders of the Company amounted to HK\$502.0 million.

### Shandong

There were 39 plants and town-size sewage treatment facilities in Shandong region. The total daily design capacity of Shandong region is 1,879,000 tons, representing an increase of 90,000 tons per day or 5% as compared with last year. The actual processing volume for the year was 533.8 million tons contributing operating revenue of HK\$717.7 million during the year. Profit attributable to shareholders of the Company was HK\$387.5 million.

### Eastern China

There were 88 water plants and town-size sewage treatment facilities in Eastern China which were mainly located in Zhejiang Province, Jiangsu Province, Henan Province and Anhui Province. As at 31 December 2020, the total daily design capacity of Eastern China had increased by 368,700 tons to 4,504,200 tons or 9% as compared with last year. The actual processing volume for the year amounted to 1,270.7 million tons and operating revenue was HK\$1,595.1 million during the year. Profit attributable to shareholders of the Company was HK\$646.5 million.

### Northern China

Currently, the Group has 85 plants and town-size sewage treatment facilities under operation in Northern China. They are mainly located in Liaoning Province and Beijing. The daily design capacity of Northern China had increased by 360,000 tons to 3,102,547 tons or 13% as compared with last year. The projects achieved actual processing volume of 902.2 million tons for the year. The operating revenue was HK\$1,178.5 million during the year. Profit attributable to shareholders of the Company was HK\$602.1 million.

#### 2.1.1b Overseas:

As at 31 December 2020, the Group had 47 sewage treatment plants and 5 reclaimed water plants in Portugal, Singapore and Australia. Total daily design capacity in operation was 496,708 tons. The actual processing volume for the year is 103.7 million tons. Total revenue for the year was HK\$338.6 million. Profit attributable to shareholders of the Company was HK\$37.3 million.

#### 2.1.2 Water distribution services

##### 2.1.2a Mainland China:

As at 31 December 2020, the Group had 111 water distribution plants in operation. Total daily design capacity in operation was 9,276,194 tons (31 December 2019: 7,865,194 tons). The plants were located in Guizhou Province, Fujian Province, Guangdong Province, Hunan Province, Hebei Province, Shandong Province, Henan Province, Guangxi Province and Inner Mongolia Autonomous Region. The actual average contracted tariff charge of water distribution is approximately RMB2.04 per ton (31 December 2019: RMB2.09 per ton). The aggregate actual processing volume is 1,849.5 million tons, of which 1,015.1 million tons was contributed by subsidiaries, which recorded revenue of HK\$2,187.8 million and 834.4 million tons was contributed by joint ventures. Profit attributable to shareholders of the Company was HK\$846.3 million, of which profit of HK\$652.8 million was contributed by subsidiaries and a profit of HK\$193.5 million in aggregate was contributed by joint ventures.

##### 2.1.2b Overseas:

As at 31 December 2020, the Group had 36 water distribution plants and a sea desalination plant which supplies drinking water in Portugal and Australia. Total daily design capacity in operation was 1,373,864 tons. The actual processing volume for the year is 186.6 million tons of which 94.3 million tons was contributed by subsidiaries and 92.3 million tons was contributed by joint ventures. Total revenue for the year was HK\$515.5 million. Profit attributable to shareholders of the Company was HK\$176.7 million.

## **2.2 Construction services for the water environmental renovation**

### *2.2.1 Construction services for comprehensive renovation projects*

The Group had 27 comprehensive renovation projects under construction during the year. The projects mainly located in Zhejiang Hangzhou, Chengdu Jianyang, Inner Mongolia, Sichuan Panzihua and Hebei Hengshui. Last year, the Group had 25 comprehensive renovation projects under construction in Zhejiang Hangzhou, Chengdu Jianyang, Malaysia Terengganu, Inner Mongolia, Sichuan Luzhou and Hebei Hengshui.

Revenue from comprehensive renovation projects decreased by HK\$3,088.1 million from last year of HK\$7,399.7 million to HK\$4,311.6 million this year. Due to the outbreak of Novel Coronavirus (“COVID-19”), construction works in several construction sites in China could only maintain limited operation or are forced to suspend in the first quarter of Year 2020. Additionally, to align with the Group’s asset-light strategy, the investment approach on the comprehensive renovation projects is more conservative. As such, there was decrease in construction revenue during this year.

According to the construction contracts, the Group charges an interest on the trade receivables from the customers with reference to certain mark-up on The People’s Bank of China’s lending rate for the year from the completion of the construction to time of the receipt of the trade receivables. Interest income from water environmental renovation projects attributable to shareholders of the Company was HK\$276.1 million for this year (31 December 2019: HK\$206.6 million).

Profit attributable to shareholders of the Company for the comprehensive renovation projects decreased by HK\$716.6 million from last year of HK\$1,867.6 million to HK\$1,151.0 million this year.

### *2.2.2 Construction of BOT water projects*

The Group entered into a number of service concession contracts on a BOT basis in respect of its water treatment business. Under HK(IFRIC)-Int 12 *Service Concession Arrangements*, the Group recognises the construction revenue with reference to the fair value of the construction service delivered in the building phase. The fair value of such service is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the inception date of service concession agreement. Construction revenue is recognised by using the percentage-of-completion method.

During the year, water plants under construction were mainly located in Shandong, Henan, Zhejiang, Hunan, Sichuan and Ningxia provinces. Total revenue for construction of BOT water projects was HK\$8,832.7 million (31 December 2019: HK\$10,477.8 million) and profit attributable to shareholders of the Company was HK\$1,641.6 million (31 December 2019: HK\$1,888.3 million).

### ***2.3 Technical services and sales of machineries for the water environmental renovation***

The Group has couples of qualification in engineering for consulting and design of water treatment plants. As an integrated water system solution provider, the Group has not only acquired extensive experience in bidding, building and operating sewage water treatment projects, but also successfully marketed its treatment technology and experience in construction services to other operators and constructors.

Revenue from the provision of technical services and sales of machineries was HK\$3,255.4 million (31 December 2019: HK\$2,574.5 million), representing 13% of the Group's total revenue. Profit attributable to shareholders of the Company was HK\$1,077.7 million (31 December 2019: HK\$840.5 million).

## **3. Financial analysis**

### ***3.1 Revenue***

During the year, the Group recorded revenue of HK\$25,360.6 million (31 December 2019: HK\$28,192.5 million). The decrease was mainly due to the decrease in revenue from construction services for the water environmental renovation projects.



### **3.2 Cost of sales**

Cost of sales for the year amounted to HK\$15,630.9 million, compared to last year of HK\$18,025.7 million. The decrease was mainly due to the decrease in cost of construction services of HK\$3,050.7 million. Cost of sales mainly included construction costs of HK\$9,959.1 million and operating costs of water plants of HK\$4,101.1 million. The construction costs mainly consisted of subcontracting charges. The operating costs of water plants, mainly included electricity charges of HK\$889.6 million, staff costs of HK\$1,257.8 million and major overhaul charges of HK\$209.0 million; while the increase in operating costs was mainly due to increase in actual water processing volume. Major overhaul charges were the estimated expenditure to be incurred for the restoration of water plants before they are handed over to the grantor at the end of service arrangements. The amount was estimated based on discounted future cash outlays on major overhauls during the service concession periods. The amount was charged to profit or loss based on amortisation method during the service concession periods.

### **3.3 Gross profit margin**

During the year, gross profit margin slightly increased from last year of 36% to 38%. Increase was mainly due to the change in mix of revenue during this year. The revenue contribution from water treatment services increased from last year of 27% to this year of 35%, whereas the revenue contribution from construction services for the water environmental renovation decreased from 64% last year to this year of 52%. The gross margin of water treatment services is comparatively higher than the construction services for the water environmental renovation.

#### *Gross margin for sewage and reclaimed water treatment services:*

Gross margin for sewage and reclaimed water treatment services in Mainland China was increased to 60% (last year: 55%). The increase in gross margin was mainly due to decrease in the value-added tax rate (“VAT”) imposed on some of the project companies and recognition of one-off water treatment service income of some of the project companies. Gross margin for sewage and reclaimed water treatment services in Overseas was slightly decreased to 24% (last year: 25%).

*Gross margin for water distribution services:*

Gross margin for water distribution services in Mainland China was 48% (last year: 51%). Gross margin for water distribution services in Overseas was 36% (last year: 36%).

*Gross margin for construction services for comprehensive renovation projects:*

Gross margin for construction services for comprehensive renovation projects was 26% (last year: 30%). Gross margin decreased as the major comprehensive renovation projects for this year have a relatively lower average gross margin.

*Gross margin for construction of BOT water projects:*

Gross margin for construction of BOT water projects was 23% (last year: 25%).

*Gross margin for technical services and sale of machineries for the water environmental renovation:*

Gross margin for the technical services and sale of machineries for the water environmental renovation was 52% (last year: 51%).

**3.4 Other income and gains, net**

The Group recorded other income and gains, net of HK\$1,312.6 million during the year, compared to last year of HK\$1,308.9 million. The amount for this year mainly included sludge treatment income of HK\$143.4 million, pipeline installation income of HK\$205.6 million, government grant and subsidies of HK\$133.3 million and VAT refunds of HK\$286.8 million.

**3.5 Administrative expenses**

Administrative expenses for the year increased to HK\$2,526.2 million, compared to last year of HK\$2,499.6 million. The increase was mainly due to the increase in staff related expenses as result of business expansion during the year.

**3.6 Other operating expenses, net**

Other operating expenses for the year increased to HK\$1,235.6 million, compared to last year of HK\$619.2 million. The increase was mainly due to increase in impairment losses recognised in current year.

### **3.7 Finance costs**

Finance costs mainly represented interests on bank and other borrowings of HK\$1,745.8 million (31 December 2019: HK\$1,601.2 million) and interests on corporate bonds and notes payable of HK\$1,032.2 million (31 December 2019: HK\$1,029.6 million). The increase in finance costs was mainly due to the increase in bank and other borrowings during the year.

### **3.8 Share of profits of associates**

Share of profits of associates decreased to HK\$330.8 million, compared to last year of HK\$385.0 million.

### **3.9 Share of profits of joint ventures**

Share of profits of joint ventures increased to HK\$729.7 million, compared to last year of HK\$551.4 million. The increase was mainly due to increase in share of profits of the joint ventures which engaged in construction services for the water environmental renovation projects.

### **3.10 Income tax expense**

Income tax expense for the year included the current PRC income tax of HK\$688.0 million. The effective tax rate for the PRC operation was about 16% which was lower than the PRC standard income tax rate of 25% as some of the subsidiaries enjoyed tax concession benefit. Deferred tax charge for the year was HK\$547.5 million.

### **3.11 Profit attributable to holders of perpetual capital instruments**

Amount represented the coupon payments of perpetual bonds with an aggregate principal amount of RMB5,600 million which were issued in Year 2016.

### **3.12 Property, plant and equipment**

Property, plant and equipment increased by HK\$534.2 million which was mainly due to additions in buildings and plant facilities for Build-Own-Operate (“BOO”) projects during the year.

### **3.13 Investment properties**

Investment property represented a portion of a building located in Beijing which the Group held to earn rental income during the year. The investment property was stated at fair value.

### **3.14 Amounts due from contract customers, receivables under service concession arrangements and trade receivables**

The Group's total amounts due from contract customers, receivables under service concession arrangements and trade receivables of HK\$112,467.8 million (2019: HK\$96,446.9 million) included:

By accounting nature:

	Non-current <i>HK\$'M</i>	2020 Current <i>HK\$'M</i>	Total <i>HK\$'M</i>	Non-current <i>HK\$'M</i>	2019 Current <i>HK\$'M</i>	Total <i>HK\$'M</i>
(i) Amounts due from contract customers	42,314.2	3,091.7	45,405.9	46,646.9	2,988.4	49,635.3
(ii) Receivables under service concession arrangements	41,698.3	4,131.4	45,829.7	32,033.3	3,815.4	35,848.7
(iii) Trade receivables	12,277.1	8,955.1	21,232.2	4,638.4	6,324.5	10,962.9
<b>Total</b>	<b>96,289.6</b>	<b>16,178.2</b>	<b>112,467.8</b>	<b>83,318.6</b>	<b>13,128.3</b>	<b>96,446.9</b>

- (i) Amounts due from contract customers of HK\$45,405.9 million represent the balances of accumulated construction costs incurred to date plus recognised accumulated gross profits exceeding progress billings arising from BOT projects and comprehensive renovation projects during the phase of construction. Total balance decreased by HK\$4,229.4 million (non-current portion decreased by HK\$4,332.7 million and current portion increased by HK\$103.3 million), which was mainly due to reclassification to trade receivables and receivables under service concession arrangements as a result of construction completion of certain water environmental renovation projects;
- (ii) Receivables under service concession arrangements of HK\$45,829.7 million represent the fair value of the specified amount that the grantor contractually guarantees to pay under service concession contracts arising from BOT and TOT projects. The increase in balance by HK\$9,981.0 million (non-current portion increased by HK\$9,665.0 million and current portion increased by HK\$316.0 million) was mainly due to reclassification from amounts due from contract customers as a result of operation commencement of certain BOT projects; and

(iii) Trade receivables of HK\$21,232.2 million mainly arose from the provision of construction services for comprehensive renovation projects, technical and consultancy services and sewage treatment equipment trading. The balance increased by HK\$10,269.3 million (non-current portion increased by HK\$7,638.7 million and current portion increased by HK\$2,630.6 million). Increase in trade receivables was mainly due to reclassification from amounts due from contract customers as a result of construction completion of certain comprehensive renovation projects.

By business nature:

	<b>2020</b>	2019
	<b><i>HK\$'M</i></b>	<i>HK\$'M</i>
Water treatment services by BOT and TOT projects	<b>76,823.7</b>	66,091.6
Construction services of comprehensive renovation projects	<b>31,486.2</b>	27,120.7
Technical and consultancy services and other businesses	<b>4,157.9</b>	3,234.6
	<hr/>	<hr/>
<b>Total</b>	<b><u>112,467.8</u></b>	<u>96,446.9</u>

Total receivables, which relates to the BOT and TOT projects, recognised under the service concession agreements in accordance with the HK(IFRIC)-Int 12 *Service Concession Arrangements* were HK\$76,823.7 million (2019: HK\$66,091.6 million). Total receivables for the construction service of comprehensive renovation projects were HK\$31,486.2 million (2019: HK\$27,120.7 million). Total receivables for technical and consultancy services and other businesses were HK\$4,157.9 million (2019: HK\$3,234.6 million).

### ***3.15 Operating concessions***

Operating concessions represents rights that the Group can charge users under service concession contracts. It is a non-guarantee receipt right to receive cash because the chargeable amounts are contingent on the extent that the users use the service. The balance arises from BOT and TOT projects in operation. The balance increase was mainly due to reclassification from amounts due from contract customers as a result of operation commencement of certain BOT projects.

### ***3.16 Investments in joint ventures***

Investments in joint ventures increased by HK\$1,992.7 million, mainly due to the capital injection to the joint ventures, conversion of a subsidiary to a joint venture and share of profit during the year.

### ***3.17 Investments in associates***

Investments in associates increased by HK\$1,099.2 million, mainly due to the share of profits and exchange fluctuation reserve during the year.

### ***3.18 Prepayments, deposits and other receivables***

Prepayments, deposits and other receivables increased by HK\$69.5 million (non-current portion decreased by HK\$501.3 million and current portion increased by HK\$570.9 million), mainly due to the increase in value-added tax receivables.

### ***3.19 Other payables and accruals***

Other payables and accruals increased by HK\$952.3 million. The increase was mainly due to the increase in other liabilities and amount due to joint ventures during the year.

### ***3.20 Cash and cash equivalents***

Cash and cash equivalents increased by HK\$2,537.3 million, mainly due to capital contributions into a subsidiary from Hangzhou Xiaoshan Ping An Cornerstone II Equity Investment Co., Ltd<sup>#</sup> (杭州蕭山平安基石貳號股權投資有限公司).

### ***3.21 Perpetual capital instrument under the equity attributable to shareholders of the Company***

On 12 May 2020, the Company issued perpetual capital instrument with an aggregate principal amount of RMB1,000,000,000 for the purposes of project construction and general working capital for its subsidiaries. There is no maturity of the instrument and the payments of distribution can be deferred at the discretion of the Company subject to certain conditions. The perpetual capital instrument is classified as equity instruments.

### ***3.22 Non-controlling interests***

Non-controlling interests increased by HK\$3,425.4 million. Increase was mainly due to capital contributions into a subsidiary from Hangzhou Xiaoshan Ping An Cornerstone II Equity Investment Co., Ltd<sup>#</sup> (杭州蕭山平安基石貳號股權投資有限公司).

<sup>#</sup> for identification purpose only

### ***3.23 Bank and other borrowings***

Bank and other borrowings increased by HK\$10,257.5 million. Increase in bank and other borrowings was mainly from new bank loans utilised to finance for the acquisition and construction of various water projects in the PRC and the appreciation of RMB during the year.

### ***3.24 Corporate bonds***

Corporate bonds increased mainly due to the net increase in corporate bond of principal amount of RMB700 million and the appreciation of RMB during the year.

### ***3.25 Trade payables***

The decrease in trade payables by HK\$471.3 million was mainly due to decrease in trade payables to subcontractors for construction services of the water environmental renovation projects during the year.

### ***3.26 Deferred Income***

Deferred income mainly represents the recognition of deferred sewage water treatment income in relation to the issuance of an asset-backed note.

### ***3.27 Liquidity and financial resources***

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are mainly in Hong Kong dollars and RMB. Surplus cash is generally placed in short term deposits denominated in Hong Kong dollars and RMB.

As at 31 December 2020, the Group's cash and cash equivalents amounted to HK\$14,697.2 million (31 December 2019: HK\$12,159.9 million).

The Group's total borrowings amounted to HK\$72,286.3 million (31 December 2019: HK\$61,265.2 million) comprised bank and other borrowings of HK\$49,633.7 million (31 December 2019: HK\$39,376.2 million), finance lease payables\* of HK\$264.7 million (31 December 2019: HK\$379.3 million), notes payable of HK\$2,379.7 million (31 December 2019: HK\$2,944.8 million) and corporate bonds of HK\$20,008.2 million (31 December 2019: HK\$18,564.9 million). All the corporate bonds and notes payable bear interest at fixed rates. Over 90% of bank and other borrowings bear interest at floating rates.

\* The balance as at 31 December 2020 and 2019 was included in lease liabilities.

As at 31 December 2020, the Group had banking facilities amounting to HK\$46.5 billion, of which HK\$24.8 billion have not been utilised. The banking facilities are of 1 to 10 years term.

The Group's total equity amounted to HK\$57,124.0 million (31 December 2019: HK\$46,531.2 million).

The gearing ratio as defined as sum of bank and other borrowings, finance lease payables, notes payable and corporate bonds, net of cash and cash equivalents, divided by the total equity was 1.01 as at 31 December 2020 (31 December 2019: 1.06). The decrease in the gearing ratio as at 31 December 2020 was mainly due to the increase in cash and cash equivalents and total equity as a result of capital contributions into a subsidiary from Hangzhou Xiaoshan Ping An Cornerstone II Equity Investment Co., Ltd# (杭州蕭山平安基石貳號股權投資有限公司).

### ***3.28 Capital expenditures***

During the year, the Group's total capital expenditures were HK\$9,567.4 million (31 December 2019: HK\$12,501.1 million), of which HK\$881.4 million was paid for the acquisition of property, plant and equipment and intangible assets; HK\$7,833.1 million represented the construction and acquisition of water plants, HK\$852.9 million represented the consideration for acquisition of equity interests in subsidiaries and equity investments and capital injections in joint ventures and associates.

## **4. Future outlook**

### ***4.1 Sustainable development***

The Group follows “the path to cleanness, the path to good governance and the path to mutual aid” when pursuing sustainable development. As the core spirit of our operation, we aim to achieve sustainability in five areas, namely strategic sustainability, management sustainability, business sustainability, environmental sustainability and social sustainability, in order to further enhance our corporate governance system with a focus on environmental, social and governance aspects.

# for identification purpose only



The Group values highly science technology, innovation, research and development and achievement transformation. In response to market demand and being customer-oriented, the Group explores innovative models for grouping management to lower costs and boost efficiency. Simultaneously we also take advantage of digital and smart approaches to break the shackles of time, upgrade quality of work and lean operation. Such efforts have allowed the Group to advance and evolve to a new level in terms of technological depth, data breath and lead time.

In face of the imminent threats of climate change, the Group stands firm on our mission of “safeguarding the source of life and create a green environment”, takes responsibility for protecting and improving the ecological environment and practices our purpose for eco-environment protection with actions. The Group attaches great importance to the conservation of water resources. We have responded swiftly to the Action Plan for Prevention and Control of Water Pollution (《水污染防治行動計劃》) published by the State Council of the PRC by formulating and publishing our own Measures for Water Resources Management of BEWG (《北控水務集團水資源管理辦法》), which requires that all of the water-related projects of the Group shall be subject to central management and the whole process from development, utilisation and protection of water resources shall be managed and controlled in a scientific manner.

The Group adheres to the development philosophy of a green and low-carbon management. We have responded swiftly to the national strategy of green development by formulating and introducing our own Administrative Measures for Low-carbon Operation of Projects of BEWG (《北控水務集團運營項目低碳運行管理辦法》) and other internal systems as well as an award system for energy conservation and emission reduction. These initiatives are set to refine the low-carbon management and operation model of projects and enhance the capability of lean operation, thereby contributing to the national goal of carbon neutrality.

Meanwhile, in consideration of the wide coverage for overseas business operations and being a responsible multi-national corporation with worldwide business presence, the Group strictly complies with the requirements of local governments in overseas and strictly abides by local policies of ecological resources and biodiversity protection.

High-quality talent is one of the cornerstones and driving forces of corporate sustainability. The Group emphasises people-oriented management and has maintained an openness, fairness and integrity recruitment system. We also promote employment diversity, localisation and fairness in order to secure the interests of our staff. In 2020, for the purposes of meeting the management needs for training and recruiting future talents for the asset-light strategy, we selected, promoted and adjusted the salary of various quality calibre staffs with strong potential who suit the development goals of the organization. We lay stress on the importance of staff training and development and organise diversified training activities for our staff. This helps to foster leaders and business elites for the industry and demonstrate our exemplary role as an industry leader.

Under the digitalisation strategy, the Group actively explores the digital transformation of supply chains. BEWG Smart Chain (北水智鏈), a digital supply chain service platform, has been established to promote fair and open procurement of materials and services, with ultimate objectives to maintain long-term cooperation with suppliers that are built on mutual trust and to incorporate the environmental, social and governance philosophy into supply chain management. We have formulated various internal regulations including the Procurement Management System of BEWG (《北控水務集團採購管理制度》) and the Supplier Management Policy of BEWG (《北控水務集團供應商管理政策》), so as to continuously improve the development of the supplier management system and build up a healthy, sustainable and responsible supply chain.

#### **4.2 *Future prospect***

Year 2021 is the first year of the 14th Five-Year Plan and is the historic year of converging of the Two Centenary Goals. The 14th Five-Year Plan features continuous endeavours in pollution prevention and ecological construction, maintain the results of the efforts for cleaner air, water and soil. The ongoing aims for better environmental quality have presented enormous opportunities for development for the environmental industry. Being committed to progressing with the country, keeping abreast of the times and realising the dream of growth, the Group will boost its productivity with new demands and respond to new trends with new cooperation pattern. Clients will always be our top priority and we will further develop the two core businesses namely urban water services and water environment comprehensive renovation. In order to achieve quality growth, we will continue to develop innovative business models, actively expand into new operations, step up the establishment of smart water services, promote asset-light and digital transformation, enhance product and service capability, pursue technological upgrade and strengthen professional competence.

During the period of the 14th Five-Year Plan, Beijing Enterprises Group Company Limited and China Three Gorges Corporation will continue to acknowledge and trust the strategic position of the Group. By taking advantages of the synergy from the cooperation, the Group will be able to further strengthen the edge in the water and environmental sector. We will strive to realise the “two-mountain philosophy” in the theory that “clear waters and green mountains are gold and silver mountains” proposed by General Secretary Xi Jin-ping and vigorously promote the modernisation of environmental governance.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group employed 19,763 employees. Total staff cost for the year ended 31 December 2020 was HK\$3,149,616,000 (year ended 31 December 2019: HK\$2,936,686,000). The Group’s remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses, share options and share awards are awarded to certain employees according to the assessment of individual performance. On 24 April 2013, the Company had granted 400,000,000 share options at an exercise price of HK\$2.244 per share under a share option scheme adopted on 28 June 2011 for the Group’s directors and employees (the “Scheme”). On 28 March 2014, the Company had granted the then independent non-executive director of the Company 2,000,000 share options at an exercise price of HK\$5.18 per share under the Scheme. 400,000 share options were exercised, no share option was lapsed or cancelled during the year ended 31 December 2020. As at 31 December 2020, the Company had 254,726,000 share options outstanding which were granted on 24 April 2013 and 2,000,000 share options outstanding which were granted on 28 March 2014. The total outstanding share options represented approximately 2.56% of the Company’s ordinary shares in issue as at 31 December 2020. On 26 September 2019, the Company had granted 15,374,599 awarded shares to the eligible persons pursuant to the share award scheme. During the year ended 31 December 2020, 15,003,053 awarded shares were vested and 371,546 awarded shares were lapsed. As at 31 December 2020, no awarded shares were outstanding.

## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS**

During the year ended 31 December 2020, the Group had no significant investments and acquisitions of subsidiaries and affiliated companies.

## **CHARGES ON THE GROUP'S ASSETS**

The secured bank and other borrowings, the corporate bonds and the notes payable of the Group as at 31 December 2020 are secured by:

- (i) mortgages over certain sewage treatment and water distribution concession rights (comprising operating concessions and receivables under service concession arrangements) which are under the management of the Group pursuant to the relevant service concession agreements signed with the grantors;
- (ii) mortgages over certain land use rights and buildings and investment properties of the Group;
- (iii) guarantees given by the Company and/or its subsidiaries;
- (iv) pledges over the Group's equity interests in certain subsidiaries;
- (v) pledges over certain of the Group's bank balances; and/or
- (vi) pledges over certain of the Group's trade receivables and amounts due from contract customers.

Save as disclosed above, at 31 December 2020, the Group did not have any charges on the Group's assets.

## **FOREIGN EXCHANGE EXPOSURE**

Majority of the subsidiaries of the Company operates in the PRC with most of its transactions denominated and settled in RMB. Fluctuations of exchanges rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidation accounts. If RMB appreciates/depreciates against Hong Kong dollar, the Group would record a(n) increase/decrease in the Group's net asset value. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

## **CONTINGENT LIABILITIES**

As at 31 December 2020, bank guarantees in favour of employers in lieu of deposits for project bidding and project performance of HK\$1,145,819,000 (31 December 2019: HK\$669,696,000) were outstanding and corporate guarantees of HK\$3,992,594,000 (31 December 2019: HK\$3,085,661,000) were given to banks and/or institutional investors in connection with facilities granted to certain associates, joint ventures and independent third parties and bonds issued by joint ventures.

Save as disclosed above, at 31 December 2020, the Group did not have any significant contingent liabilities.

## **FINAL DISTRIBUTION**

The Board proposed to pay final distribution of HK7.8 cents per ordinary share for the financial year ended 31 December 2020 (the “Proposed Final Distribution”). The Proposed Final Distribution is subject to shareholders’ approval at the annual general meeting of the Company to be held on Wednesday, 9 June 2021, payable to shareholders of the Company whose names appear on the register of members of the Company on Friday, 18 June 2021.

## **CLOSURES OF REGISTER OF MEMBERS**

### **For Annual General Meeting**

The register of members will be closed from Friday, 4 June 2021 to Wednesday, 9 June 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Wednesday, 9 June 2021, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 3 June 2021.

## **For Entitlement to Proposed Final Distribution**

The register of members will be closed from Wednesday, 16 June 2021 to Friday, 18 June 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the Proposed Final Distribution, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 15 June 2021. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the Proposed Final Distribution will be paid on or around Wednesday, 30 June 2021.

## **CORPORATE GOVERNANCE**

During the year ended 31 December 2020, in the opinion of the Board, the Company complied with all code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, with deviation mentioned below.

Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting of the Company. Having regard to the mandatory global travel restrictions in connection with the COVID-19 pandemic, the chairman of the Board did not attend the annual general meeting of the Company held on 9 June 2020. In his absence, the executive director of the Company was invited to chair the annual general meeting and the member of nomination committee of the Company was invited to attend by video/audio conferencing, and was available to answer shareholders' questions at the annual general meeting.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by directors. Having made specific enquiries of all directors of the Company, the Company confirms that during the year ended 31 December 2020, all of its directors have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by directors.

## **AUDIT COMMITTEE**

The audit committee of the Company (“Audit Committee”) comprises three independent non-executive directors of the Company, namely Mr. Shea Chun Lok Quadrant (the chairman of the Audit Committee), Mr. Zhang Gaobo and Mr. Guo Rui. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure, risk management and internal controls of the Company. The final results for the year ended 31 December 2020 have been reviewed and approved by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.

## **SCOPE OF WORK OF THE COMPANY’S AUDITORS IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Company’s auditors to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Company’s auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company’s auditors on the preliminary announcement.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

## **PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the Company’s website ([www.bewg.net](http://www.bewg.net)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2020 annual report and the notice of annual general meeting will be dispatched to shareholders of the Company and will be published on the websites of the Company and the Stock Exchange in due course.

## APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to all the Group's employees for their continuous support and dedicated services.

By Order of the Board  
**Beijing Enterprises Water Group Limited**  
**Li Yongcheng**  
*Chairman*

Hong Kong, 30 March 2021

*As at the date of this announcement, the board of directors of the Company comprises nine executive directors, namely Mr. Li Yongcheng (Chairman), Mr. Jiang Xinhao, Mr. Zhou Min (Chief Executive Officer), Mr. Li Haifeng, Mr. Zhang Tiefu, Mr. Ke Jian, Ms. Sha Ning, Mr. Tung Woon Cheung Eric and Mr. Li Li, one non-executive director, namely Mr. Zhao Feng and five independent non-executive directors, namely Mr. Shea Chun Lok Quadrant, Mr. Zhang Gaobo, Mr. Guo Rui, Mr. Wang Kaijun and Dr. Lee Man Chun Raymond.*