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(Incorporated in Bermuda with limited liability)

(Stock Code: 371)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

- Profit attributable to shareholders of the Company increased to HK\$4,195.9 million for the year ended 31 December 2021 as compared to HK\$4,183.5 million for the last year.
- EBITDA amounted to HK\$10,546.0 million, representing an increase of 8% as compared with that of HK\$9,727.1 million in the last year.
- Basic and diluted earnings per share for the year were HK41.42 cents and HK41.17 cents respectively.
- Final dividend of HK6.7 cents per share is proposed for the year ended 31 December 2021. Full-year dividend are HK15.7 cents, the dividend payout ratio is 38%.
- Total daily design capacity for new projects secured for the year was 3,960,221 tons. Due to different reasons such as expiration of projects, the Group exited projects with aggregate daily design capacity of 1,198,995 tons during the year. As such, the net increase in total daily design capacity of the year was 2,761,226 tons. As at 31 December 2021, total daily design capacity was 44,885,962 tons (31 December 2020: 42,124,736 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 2021 and the consolidated statement of financial position of the Group as at 31 December 2021, with comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	3	27,880,147	25,360,587
Cost of sales		(17,430,477)	(15,630,932)
Gross profit		10,449,670	9,729,655
Interest income		1,096,965	697,401
Other income and gains, net		1,248,472	1,312,575
Administrative expenses		(3,158,430)	(2,526,199)
Other operating expenses, net		(905,568)	(1,235,571)
PROFIT FROM OPERATING ACTIVITIES	4	8,731,109	7,977,861
Finance costs	5	(2,718,745)	(2,549,124)
Share of profits and losses of:			
Joint ventures		861,712	729,681
Associates		58,069	330,781
PROFIT BEFORE TAX		6,932,145	6,489,199
Income tax expense	6	(1,464,224)	(1,248,658)
PROFIT FOR THE YEAR		<u>5,467,921</u>	<u>5,240,541</u>
ATTRIBUTABLE TO:			
Shareholders of the Company		4,195,940	4,183,466
Holders of perpetual capital instruments		211,473	232,180
Non-controlling interests		1,060,508	824,895
		<u>5,467,921</u>	<u>5,240,541</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
– Basic		<u>HK41.42 cents</u>	<u>HK41.57 cents</u>
– Diluted		<u>HK41.17 cents</u>	<u>HK41.16 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PROFIT FOR THE YEAR	5,467,921	5,240,541
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	1,386,186	4,551,522
– Release upon disposal of subsidiaries	(6)	2,871
– Release upon deemed disposal of partial interest in associates	–	(3,552)
	<u>1,386,180</u>	<u>4,550,841</u>
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
– Share of other comprehensive income of a joint venture	5,357	2,050
– Changes in fair value of equity investments designated at fair value through other comprehensive income	(116,039)	(74,669)
	<u>(110,682)</u>	<u>(72,619)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>1,275,498</u>	<u>4,478,222</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>6,743,419</u></u>	<u><u>9,718,763</u></u>
ATTRIBUTABLE TO:		
Shareholders of the Company	5,165,135	7,692,950
Holder of perpetual capital instruments	327,828	604,263
Non-controlling interests	<u>1,250,456</u>	<u>1,421,550</u>
	<u><u>6,743,419</u></u>	<u><u>9,718,763</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets:			
Property, plant and equipment		5,150,464	4,700,229
Right-of-use assets		567,414	787,019
Investment properties		872,622	855,598
Goodwill		4,213,729	4,183,392
Operating concessions		10,125,374	5,556,365
Other intangible assets		403,783	358,928
Investments in joint ventures		10,961,554	9,968,952
Investments in associates		6,535,839	6,361,473
Equity investments designated at fair value through other comprehensive income		1,171,428	1,410,899
Financial assets at fair value through profit or loss		52,268	68,036
Amounts due from contract customers		36,255,486	42,314,218
Receivables under service concession arrangements	<i>9</i>	53,218,131	41,698,277
Trade receivables	<i>10</i>	11,956,063	12,277,112
Prepayments, deposits and other receivables	<i>11</i>	2,138,861	2,148,932
Deferred tax assets		398,869	264,250
		<hr/>	<hr/>
Total non-current assets		144,021,885	132,953,680
Current assets:			
Inventories		239,991	230,871
Amounts due from contract customers		3,798,733	3,091,651
Receivables under service concession arrangements	<i>9</i>	5,522,723	4,131,424
Trade receivables	<i>10</i>	8,890,896	8,955,073
Prepayments, deposits and other receivables	<i>11</i>	9,927,307	9,749,686
Restricted cash and pledged deposits		478,956	591,542
Cash and cash equivalents		10,742,695	14,697,194
		<hr/>	<hr/>
Total current assets		39,601,301	41,447,441
		<hr/>	<hr/>
TOTAL ASSETS		183,623,186	174,401,121

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		1,013,582	1,002,160
Perpetual capital instrument		1,216,904	1,187,358
Reserves		37,798,892	35,154,294
		<u>40,029,378</u>	<u>37,343,812</u>
Perpetual capital instruments		3,034,399	6,623,082
Non-controlling interests		20,484,977	13,157,111
		<u>23,519,376</u>	<u>19,780,193</u>
TOTAL EQUITY		<u>63,548,754</u>	<u>57,124,005</u>
Non-current liabilities:			
Other payables and accruals	12	807,543	1,325,842
Bank and other borrowings		45,842,406	42,808,986
Corporate bonds		16,851,404	12,517,494
Notes payable		–	2,379,704
Lease liabilities		108,268	300,144
Provision for major overhauls		302,166	230,496
Deferred income		1,489,354	1,696,195
Deferred tax liabilities		4,973,688	4,096,254
		<u>70,374,829</u>	<u>65,355,115</u>
Current liabilities:			
Trade payables	13	25,071,178	26,421,706
Other payables and accruals	12	9,610,921	9,639,580
Income tax payables		1,580,336	1,436,514
Bank and other borrowings		10,831,453	6,824,691
Corporate bonds		149,632	7,490,730
Notes payable		2,438,588	–
Lease liabilities		17,495	108,780
		<u>49,699,603</u>	<u>51,922,001</u>
TOTAL LIABILITIES		<u>120,074,432</u>	<u>117,277,116</u>
TOTAL EQUITY AND LIABILITIES		<u>183,623,186</u>	<u>174,401,121</u>

NOTES:

1.1. BASIS OF PRESENTATION

Despite that the Group had net current liabilities of HK\$10.1 billion and capital commitments of approximately HK\$22.5 billion (comprising the Group's capital commitments and the Group's share of joint ventures' own capital commitments) in aggregate as at 31 December 2021, 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 2021 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 2022 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 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 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 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 borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) as at 31 December 2021. The Group expects that 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. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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, gains on deemed disposal of 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 2021

	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	20,749,712	3,069,094	4,061,341	27,880,147
Cost of sales	<u>(13,682,340)</u>	<u>(1,664,334)</u>	<u>(2,083,803)</u>	<u>(17,430,477)</u>
Gross profit	<u><u>7,067,372</u></u>	<u><u>1,404,760</u></u>	<u><u>1,977,538</u></u>	<u><u>10,449,670</u></u>
Segment results:				
The Group	7,155,577	1,242,279	1,302,840	9,700,696
Share of profits and losses of:				
Joint ventures	680,161	172,883	11,162	864,206
Associates	<u>13,551</u>	<u>2,342</u>	<u>934</u>	<u>16,827</u>
	<u><u>7,849,289</u></u>	<u><u>1,417,504</u></u>	<u><u>1,314,936</u></u>	<u><u>10,581,729</u></u>
Corporate and other unallocated income and expenses, net				(969,587)
Share of profits of joint ventures and associates				38,748
Finance costs				<u>(2,718,745)</u>
Profit before tax				6,932,145
Income tax expense				<u>(1,464,224)</u>
Profit for the year				<u><u>5,467,921</u></u>
Profit for the year attributable to shareholders of the Company:				
Operating segments	<u><u>6,161,833</u></u>	<u><u>1,008,317</u></u>	<u><u>1,151,320</u></u>	8,321,470
Corporate and other unallocated items				<u>(4,125,530)</u>
				<u><u>4,195,940</u></u>

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>6,802,727</u>	<u>1,242,253</u>	<u>1,684,675</u>	<u>9,729,655</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>7,278,448</u>	<u>1,408,207</u>	<u>1,227,743</u>	9,914,398
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>5,240,541</u>
Profit for the year attributable to shareholders of the Company:				
Operating segments	<u>5,664,860</u>	<u>1,022,955</u>	<u>1,077,764</u>	7,765,579
Corporate and other unallocated items				<u>(3,582,113)</u>
				<u>4,183,466</u>

Geographical information

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from external customers:		
Mainland China	26,265,120	23,959,653
Elsewhere	<u>1,615,027</u>	<u>1,400,934</u>
	<u><u>27,880,147</u></u>	<u><u>25,360,587</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 2021, the Group had no transaction with any single external customer which contributed over 10% of the Group's total revenue for the year (2020: Nil).

3. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Sewage and reclaimed water treatment services	8,145,080	6,257,537
Construction services	12,604,632	13,144,337
Water distribution services	3,069,094	2,703,320
Technical and consultancy services and sales of machineries	<u>4,061,341</u>	<u>3,255,393</u>
	<u><u>27,880,147</u></u>	<u><u>25,360,587</u></u>

Imputed interest income under service concession arrangements amounting to HK\$3,390,411,000 (2020: HK\$2,591,762,000) is included in the above revenue.

4. PROFIT FROM OPERATING ACTIVITIES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of sewage and reclaimed water treatment services rendered	3,265,409	2,519,673
Cost of construction services	10,079,786	9,959,109
Cost of water distribution services	1,536,417	1,366,611
Cost of technical and consultancy services rendered and machineries sold	2,083,803	1,570,718
Depreciation of property, plant and equipment	334,231	360,843
Depreciation of right-of-use assets	44,990	82,027
Amortisation of operating concessions*	465,062	214,821
Amortisation of other intangible assets*	<u>50,805</u>	<u>31,074</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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank and other loans	1,911,963	1,745,803
Interest on corporate bonds	805,205	883,480
Interest on notes payable	147,787	148,679
Interest on lease liabilities	<u>6,426</u>	<u>19,655</u>
Total interest expense	2,871,381	2,797,617
Increase in discounted amounts of provision for major overhauls arising from the passage of time	<u>33,270</u>	<u>24,262</u>
Total finance costs	2,904,651	2,821,879
Less: Interest included in cost of construction services	<u>(185,906)</u>	<u>(272,755)</u>
	<u><u>2,718,745</u></u>	<u><u>2,549,124</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 2021 (2020: 16.5%).

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, by reasons that (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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Hong Kong	8,636	12,282
Current – Mainland China	776,500	688,038
Current – Elsewhere	31,674	8,689
Under/(overprovision) in prior years	42	(7,889)
Deferred	<u>647,372</u>	<u>547,538</u>
Total tax charge for the year	<u><u>1,464,224</u></u>	<u><u>1,248,658</u></u>

7. DIVIDEND

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim – HK9.0 cents (2020: HK8.4 cents) per ordinary share	908,982	841,780
Proposed final – HK6.7 cents (2020: HK7.8 cents) per ordinary share	<u>679,100</u>	<u>781,684</u>
	<u><u>1,588,082</u></u>	<u><u>1,623,464</u></u>

The proposed final dividend 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 2021, and the weighted average number of 10,053,900,041 (2020: 10,021,261,445) ordinary shares in issue less the weighted average number of 41,392,772 (2020: 28,115,380) 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to shareholders of the Company	4,195,940	4,183,466
Distribution related to the perpetual capital instrument	<u>(48,563)</u>	<u>(29,597)</u>
Profit used in the basic earnings per share calculation	4,147,377	4,153,869
Effect of dilution on earnings in respect of share options of an associate	<u>—*</u>	<u>(2,946)</u>
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u>4,147,377</u>	<u>4,150,923</u>

* *Because the diluted earnings per share amount is increased when taking the effect of dilution on earnings in respect of share options of an associate into account for the year ended 31 December 2021, the effect of dilution on earnings in respect of share options of an associate had an anti-dilutive effect and was ignored in the calculation of diluted earnings per share.*

	2021	2020
Number of ordinary shares		
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	10,012,507,269	9,993,146,065
Effect of dilution on weighted average number of ordinary shares		
– Share options which have dilutive effect	58,751,632	77,603,573
– Share awards which have dilutive effect	2,016,699	13,102,049
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>10,073,275,600</u>	<u>10,083,851,687</u>

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. Ageing 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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Billed:		
Within 3 months	2,120,489	1,813,299
4 to 6 months	1,147,301	962,064
7 to 12 months	985,670	584,949
Over 1 year	1,269,263	771,112
	5,522,723	4,131,424
Unbilled:		
Non-current portion*	53,218,131	41,698,277
Total	<u>58,740,854</u>	<u>45,829,701</u>

* *The non-current portion receivables represented contract assets as the rights to considerations have yet to be unconditional.*

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% (2020: 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Billed:		
Within 3 months	3,621,667	4,782,471
4 to 6 months	1,263,653	787,440
7 to 12 months	1,588,437	526,606
Over 1 year	2,404,578	2,858,556
Balance with extended credit period	<u>48,758</u>	<u>55,757</u>
	8,927,093	9,010,830
Unbilled*	<u>11,919,866</u>	<u>12,221,355</u>
	20,846,959	21,232,185
Portion classified as current assets	<u>(8,890,896)</u>	<u>(8,955,073)</u>
Non-current portion	<u><u>11,956,063</u></u>	<u><u>12,277,112</u></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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Prepayments	560,715	453,900
Deposits and other debtors	6,389,348	5,924,010
Advances to subcontractors and suppliers	2,977,699	4,981,623
Due from joint ventures	1,556,305	657,200
Due from associates	859,000	78,907
Due from non-controlling equity holders	248,950	247,378
Due from related parties	247,455	318,548
	<u>12,839,472</u>	<u>12,661,566</u>
Impairment	(773,304)	(762,948)
	<u>12,066,168</u>	<u>11,898,618</u>
Portion classified as current assets	(9,927,307)	(9,749,686)
	<u>2,138,861</u>	<u>2,148,932</u>

12. OTHER PAYABLES AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accruals	1,277,134	1,492,655
Other liabilities	4,357,137	4,114,104
Contract liabilities	1,477,697	1,341,315
Due to subcontractors	990,266	918,710
Due to joint ventures	1,401,678	2,124,076
Due to associates	69,768	60,738
Due to non-controlling equity holders	–	5,832
Due to related parties	197,774	316,916
Other taxes payables	647,010	591,076
	<u>10,418,464</u>	<u>10,965,422</u>
Portion classified as current liabilities	(9,610,921)	(9,639,580)
	<u>807,543</u>	<u>1,325,842</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	13,540,292	12,337,507
4 to 6 months	1,493,349	2,626,275
7 months to 1 year	1,262,687	3,111,790
1 to 2 years	3,933,816	4,408,766
2 to 3 years	2,667,833	1,917,398
Over 3 years	2,041,748	1,891,898
Balance with extended credit period	<u>131,453</u>	<u>128,072</u>
	<u>25,071,178</u>	<u>26,421,706</u>

The trade payables are non-interest-bearing and apart from certain trade payables relating to construction services which are not yet due for payment and are settled based on inspection progress of the respective projects, 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 2021 amounted to HK\$10,098,302,000 (2020: HK\$10,474,560,000) and HK\$133,923,583,000 (2020: HK\$122,479,120,000), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year attributable to shareholders of the Company increased to HK\$4,195.9 million. Revenue increased by 10% to HK\$27,880.1 million as a result of increase in revenue contribution from water treatment services.

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	%
1. Water treatment services					
Sewage and reclaimed water treatment services					
China					
– Subsidiaries	7,674.1	27%	58%	3,317.9	
– Joint ventures and associates				383.0	
				3,700.9	44%
Overseas					
– Subsidiaries	471.0	2%	23%	69.0	1%
	8,145.1	29%		3,769.9	45%
Water distribution services					
China					
– Subsidiaries	2,526.0	9%	48%	705.9	8%
– Joint ventures				149.2	2%
				855.1	10%
Overseas					
– Subsidiaries	543.1	2%	34%	127.2	2%
– Joint ventures				26.0	–
				153.2	2%
	3,069.1	11%		1,008.3	12%
Subtotal	11,214.2	40%		4,778.2	57%

	Revenue		GP ratio		Profit attributable to shareholders of the Company	
	HK\$'M	%		%	HK\$'M	%
2. Construction services for the water environmental renovation						
Construction services for comprehensive renovation projects						
– Projects with completion rate more than 10% [§]	3,071.4	11%	26%	749.2	9%	
– Interest income	–	–	–	450.9	6%	
	3,071.4	11%	26%	1,200.1	15%	
Construction of BOT water projects	9,533.2	34%	18%	1,191.8	14%	
Subtotal	12,604.6	45%		2,391.9	29%	
3. Technical services and sale of machineries for the water environmental renovation	4,061.3	15%	49%	1,151.4	14%	
Business results	<u>27,880.1</u>	<u>100%</u>		<u>8,321.5</u>	<u>100%</u>	
Others[#]				(4,125.6)		
Total				<u>4,195.9</u>		

[#] Others included head office expense and other cost, net, of HK\$1,196.6 million, share of profit of joint ventures and associates of HK\$38.7 million, share award expenses of HK\$37.5 million, finance costs of HK\$2,718.7 million and profit attributable to holders of perpetual capital instruments of HK\$211.5 million. Others represented items that cannot be allocated to the operating segments.

[§] Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK\$264.1 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	%
1. Water treatment services					
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	%
2. Construction services for the water environmental renovation						
Construction services for comprehensive renovation projects						
– Projects with completion rate more than 10% [§]	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%	
3. Technical services and sale of machineries for the water environmental renovation	3,255.4	13%	52%	1,077.7	14%	
Business results	<u>25,360.6</u>	<u>100%</u>		<u>7,765.6</u>	<u>100%</u>	
Others[#]				(3,582.1)		
Total				<u>4,183.5</u>		

[#] 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.

[§] Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK\$99.3 million.

The comparison of the Group's financial results for the year ended 31 December 2021 and 2020 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	2021 HK\$'M	2020 HK\$'M	Increase/(Decrease) HK\$'M	%	2021 HK\$'M	2020 HK\$'M	Increase/(Decrease) HK\$'M	%
1. Water treatment services								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	7,674.1	5,919.0	1,755.1	30%	3,317.9	2,555.2	762.7	30%
– Joint ventures and associates					383.0	279.8	103.2	37%
					3,700.9	2,835.0	865.9	31%
GP ratio	58%	60%		(2%)				
Overseas								
– Subsidiaries	471.0	338.6	132.4	39%	69.0	37.3	31.7	85%
GP ratio	23%	24%		(1%)				
	8,145.1	6,257.6	1,887.5	30%	3,769.9	2,872.3	897.6	31%
Water distribution services								
China								
– Subsidiaries	2,526.0	2,187.8	338.2	15%	705.9	652.8	53.1	8%
– Joint ventures					149.2	193.5	(44.3)	(23%)
					855.1	846.3	8.8	1%
GP ratio	48%	48%		–				
Overseas								
– Subsidiaries	543.1	515.5	27.6	5%	127.2	132.8	(5.6)	(4%)
– Joint ventures					26.0	43.9	(17.9)	(41%)
					153.2	176.7	(23.5)	(13%)
GP ratio	34%	36%		(2%)				
	3,069.1	2,703.3	365.8	14%	1,008.3	1,023.0	(14.7)	(1%)
Subtotal	11,214.2	8,960.9	2,253.3	25%	4,778.2	3,895.3	882.9	23%
2. Construction services for the water environmental renovation								
Construction services for comprehensive renovation projects								
– Projects with completion rate more than 10%	3,071.4	4,311.6	(1,240.2)	(29%)	749.2	874.9	(125.7)	(14%)
– Interest income	–	–	–	–	450.9	276.1	174.8	63%
	3,071.4	4,311.6	(1,240.2)	(29%)	1,200.1	1,151.0	49.1	4%
GP ratio	26%	26%		–				
Construction of BOT water projects								
– China	9,533.2	8,832.7	700.5	8%	1,191.8	1,641.6	(449.8)	(27%)
GP ratio	18%	23%		(5%)				
Subtotal	12,604.6	13,144.3	(539.7)	(4%)	2,391.9	2,792.6	(400.7)	(14%)
3. Technical services and sale of machineries for the water environmental renovation								
GP ratio	49%	52%		(3%)				
Business results	27,880.1	25,360.6	2,519.5	10%	8,321.5	7,765.6	555.9	7%
Others					(4,125.6)	(3,582.1)	(543.5)	15%
Total					4,195.9	4,183.5	12.4	–

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 4 municipalities all across Mainland China.

2.1 Water treatment services

As at 31 December 2021, the Group entered into service concession arrangements and entrustment agreements for a total of 1,370 water plants and town-size sewage treatment facilities including 1,116 sewage treatment plants and town-size sewage treatment facilities, 191 water distribution plants, 61 reclaimed water treatment plants and 2 seawater desalination plants. Total daily design capacity for new projects secured for the year was 3,960,221 tons including Build-Operate-Transfer (“BOT”) projects of 1,069,500 tons, Transfer-Operate-Transfer (“TOT”) projects of 130,000 tons, Public-Private Partnership (“PPP”) projects of 1,275,600 tons, entrustment operation projects of 990,121 tons and 495,000 tons through mergers and acquisitions.

Due to different reasons such as expiration of projects, the Group exited projects with aggregate daily design capacity of 1,198,995 tons during the year. As such, the net increase in daily design capacity of the year was 2,761,226 tons. As at 31 December 2021, total daily design capacity was 44,885,962 tons.

During the year, the Group entered into three service concession arrangements for town-size sewage treatment projects with aggregate daily capacity of 117,690 tons.

Analysis of projects on hand is as follows:

	Sewage treatment	Reclaimed water treatment	Water distribution	Seawater desalination	Total
<i>(Tons)</i>					
China					
In operation	16,831,055	1,689,200	9,372,836	–	27,893,091
Not yet commenced operation/Not yet transferred	<u>8,740,168</u>	<u>1,800,000</u>	<u>4,530,971</u>	<u>50,000</u>	<u>15,121,139</u>
Subtotal	<u><u>25,571,223</u></u>	<u><u>3,489,200</u></u>	<u><u>13,903,807</u></u>	<u><u>50,000</u></u>	<u><u>43,014,230</u></u>
Overseas					
In operation	230,518	267,350	1,073,864	300,000	1,871,732
Not yet commenced operation/Not yet transferred	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Subtotal	<u><u>230,518</u></u>	<u><u>267,350</u></u>	<u><u>1,073,864</u></u>	<u><u>300,000</u></u>	<u><u>1,871,732</u></u>
Total	<u><u><u>25,801,741</u></u></u>	<u><u><u>3,756,550</u></u></u>	<u><u><u>14,977,671</u></u></u>	<u><u><u>350,000</u></u></u>	<u><u><u>44,885,962</u></u></u>
<i>(Number of water plants and town-size sewage treatment facilities)</i>					
China					
In operation	845	31	121	–	997
Not yet commenced operation/Not yet transferred	<u>223</u>	<u>25</u>	<u>34</u>	<u>1</u>	<u>283</u>
Subtotal	<u><u>1,068</u></u>	<u><u>56</u></u>	<u><u>155</u></u>	<u><u>1</u></u>	<u><u>1,280</u></u>
Overseas					
In operation	48	5	36	1	90
Not yet commenced operation/Not yet transferred	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Subtotal	<u><u>48</u></u>	<u><u>5</u></u>	<u><u>36</u></u>	<u><u>1</u></u>	<u><u>90</u></u>
Total	<u><u><u>1,116</u></u></u>	<u><u><u>61</u></u></u>	<u><u><u>191</u></u></u>	<u><u><u>2</u></u></u>	<u><u><u>1,370</u></u></u>

	Number of plants and town-size sewage treatment facilities	Design capacity (Tons/Day)	Actual processing volume during the year* (Tons (M))	Revenue (HK\$'M)	Profit attributable to shareholders of the Company (HK\$'M)
Sewage and reclaimed water treatment services:					
Mainland China:					
– Southern China	326	4,140,590	1,314.7	1,751.6	842.7
– Western China	276	2,472,250	711.4	1,561.0	712.6
– Shandong	45	2,259,000	643.2	1,122.0	570.6
– Eastern China	120	5,281,776	1,395.7	1,710.2	715.2
– Northern China	109	4,366,639	1,088.3	1,529.3	859.8
	876	18,520,255	5,153.3	7,674.1	3,700.9
Overseas	53	497,868	113.0	471.0	69.0
Subtotal	929	19,018,123	5,266.3	8,145.1	3,769.9
Water distribution services:					
Mainland China	121	9,372,836	2,002.0	2,526.0	855.1
Overseas [§]	37	1,373,864	145.5	543.1	153.2
Subtotal	158	10,746,700	2,147.5	3,069.1	1,008.3
Total	1,087	29,764,823	7,413.8	11,214.2	4,778.2

* *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 2021, the Group had 845 sewage treatment plants and town-size sewage treatment facilities and 31 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 16,831,055 tons (31 December 2020: 14,197,237 tons) and 1,689,200 tons (31 December 2020: 1,179,200 tons), respectively. The average daily processing volume is 14,652,604 tons* and average daily treatment rate is 83%*. The actual average contracted tariff charge of water treatment was approximately RMB1.39 per ton (31 December 2020: RMB1.28 per ton) for water plants. The actual aggregate processing volume for the year was 5,153.3 million tons, of which 4,632.4 million tons was contributed by subsidiaries and 520.9 million tons was contributed by joint ventures and associates. Total revenue for the year was HK\$7,674.1 million. Net profit attributable to shareholders of the Company was HK\$3,700.9 million, of which HK\$3,317.9 million was contributed by subsidiaries and HK\$383.0 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 2021, there were 326 plants and town-size sewage treatment facilities with total daily design capacity of 4,140,590 tons, representing an increase of 440,100 tons or 12% as compared with last year. The actual aggregate processing volume for the year amounted to 1,314.7 million tons. The operating revenue and profit attributable to shareholders of the Company were HK\$1,751.6 million and HK\$842.7 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 2021, there were 276 sewage treatment plants and town-size sewage treatment facilities with total daily design capacity of 2,472,250 tons, representing an increase of 282,050 tons per day or 13% as compared with last year. The actual processing volume for the year was 711.4 million tons. The operating revenue of HK\$1,561.0 million was recorded during the year. Profit attributable to shareholders of the Company amounted to HK\$712.6 million.

Shandong

There were 45 plants and town-size sewage treatment facilities in Shandong region. The total daily design capacity of Shandong region is 2,259,000 tons, representing an increase of 380,000 tons per day or 20% as compared with last year. The actual processing volume for the year was 643.2 million tons contributing operating revenue of HK\$1,122.0 million during the year. Profit attributable to shareholders of the Company was HK\$570.6 million.

Eastern China

There were 120 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 2021, the total daily design capacity of Eastern China had increased by 777,576 tons to 5,281,776 tons or 17% as compared with last year. The actual processing volume for the year amounted to 1,395.7 million tons and operating revenue was HK\$1,710.2 million during the year. Profit attributable to shareholders of the Company was HK\$715.2 million.

Northern China

Currently, the Group has 109 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 1,264,092 tons to 4,366,639 tons or 41% as compared with last year. The projects achieved actual processing volume of 1,088.3 million tons for the year. The operating revenue was HK\$1,529.3 million during the year. Profit attributable to shareholders of the Company was HK\$859.8 million.

2.1.1b Overseas:

As at 31 December 2021, the Group had 48 sewage treatment plants and 5 reclaimed water plants in Portugal, Singapore, Australia and New Zealand. Total daily design capacity in operation was 497,868 tons. The actual processing volume for the year is 113.0 million tons. Total revenue for the year was HK\$471.0 million. Profit attributable to shareholders of the Company was HK\$69.0 million.

2.1.2 Water distribution services

2.1.2a Mainland China:

As at 31 December 2021, the Group had 121 water distribution plants in operation. Total daily design capacity in operation was 9,372,836 tons (31 December 2020: 9,276,194 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 RMB2.10 per ton (31 December 2020: RMB2.04 per ton). The aggregate actual processing volume is 2,002.0 million tons, of which 1,097.6 million tons was contributed by subsidiaries, which recorded revenue of HK\$2,526.0 million and 904.4 million tons was contributed by joint ventures. Profit attributable to shareholders of the Company was HK\$855.1 million, of which profit of HK\$705.9 million was contributed by subsidiaries and a profit of HK\$149.2 million in aggregate was contributed by joint ventures.

2.1.2b Overseas:

As at 31 December 2021, 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 145.5 million tons of which 86.0 million tons was contributed by subsidiaries and 59.5 million tons was contributed by joint ventures. Total revenue for the year was HK\$543.1 million. Profit attributable to shareholders of the Company was HK\$153.2 million.

2.2 Construction services for the water environmental renovation

2.2.1 Construction services for comprehensive renovation projects

The Group had 20 comprehensive renovation projects under construction during the year. The projects mainly located in Sichuan Luzhou, Chengdu Jianyang, Inner Mongolia, Zhejiang Hangzhou and Hebei Hengshui. Last year, the Group had 27 comprehensive renovation projects under construction in Zhejiang Hangzhou, Chengdu Jianyang, Inner Mongolia, Sichuan Panzihua and Hebei Hengshui.

Revenue from comprehensive renovation projects decreased by HK\$1,240.2 million from last year of HK\$4,311.6 million to HK\$3,071.4 million this year. 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 period 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\$450.9 million for this year (31 December 2020: HK\$276.1 million).

Profit attributable to shareholders of the Company for the comprehensive renovation projects increased by HK\$49.1 million from last year of HK\$1,151.0 million to HK\$1,200.1 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 Guangdong, Shandong, Zhejiang, Hunan, Sichuan and Jiangsu provinces. Total revenue for construction of BOT water projects was HK\$9,533.2 million (31 December 2020: HK\$8,832.7 million) and profit attributable to shareholders of the Company was HK\$1,191.8 million (31 December 2020: HK\$1,641.6 million). Decrease in profit attributable to shareholders of the Company was mainly due to decrease in gross margin of BOT water projects during the year.

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\$4,061.3 million (31 December 2020: HK\$3,255.4 million), representing 15% of the Group's total revenue. Profit attributable to shareholders of the Company was HK\$1,151.4 million (31 December 2020: HK\$1,077.7 million).

3. Financial analysis

3.1 Revenue

During the year, the Group recorded revenue of HK\$27,880.1 million (31 December 2020: HK\$25,360.6 million). The increase was mainly due to the increase in revenue from water treatment services.

3.2 Cost of sales

Cost of sales for the year amounted to HK\$17,430.5 million, compared to last year of HK\$15,630.9 million. The increase was mainly due to the increase in operating costs of water plants amounted to HK\$1,165.8 million and cost of technical and consultancy services rendered of HK\$513.1 million. Cost of sales mainly included construction costs of HK\$10,079.8 million and operating costs of water plants of HK\$5,266.9 million. The construction costs mainly consisted of subcontracting charges. The operating costs of water plants, mainly included electricity charges of HK\$996.3 million, staff costs of HK\$1,369.5 million and major overhaul charges of HK\$275.0 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 decreased from last year of 38% to 37%.

Gross margin for sewage and reclaimed water treatment services:

Gross margin for sewage and reclaimed water treatment services in Mainland China was slightly decreased to 58% (last year: 60%). The slight decrease in gross margin was mainly due to recognition of one-off water treatment service income of some of the project companies during last year and increment in cost of raw materials (e.g. chemicals) during this year. Also there is a cancellation of government subsidies on the operating cost during this year as a result of economic recovery after the pandemic. Gross margin for sewage and reclaimed water treatment services in Overseas was 23% (last year: 24%).

Gross margin for water distribution services:

Gross margin for water distribution services in Mainland China was 48% (last year: 48%). Gross margin for water distribution services in Overseas was 34% (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: 26%).

Gross margin for construction of BOT water projects:

Gross margin for construction of BOT water projects was 18% (last year: 23%). Gross margin decreased as the prevailing market rate of gross margin decreased. As such, new BOT water projects have a relatively lower gross margin.

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 49% (last year: 52%). Gross margin decreased was mainly due to the change in mix of revenue during this year. The proportion of revenue contribution from technical services decreased as compared with the sale of machineries for the water environmental renovation. The gross margin of technical services is comparatively higher than the sale of machineries for the water environmental renovation.

3.4 Other income and gains, net

The Group recorded other income and gains, net of HK\$1,248.5 million during the year, compared to last year of HK\$1,312.6 million. The amount for this year mainly included sludge treatment income of HK\$154.3 million, pipeline installation income of HK\$332.3 million, government grant and subsidies of HK\$167.9 million and VAT refunds of HK\$181.4 million.

3.5 Administrative expenses

Administrative expenses for the year increased to HK\$3,158.4 million, compared to last year of HK\$2,526.2 million. The increase was mainly due to the increase in staff related expenses as result of business expansion and increase in research and development expenses during the year.

3.6 Other operating expenses, net

Other operating expenses for the year decreased to HK\$905.6 million, compared to last year of HK\$1,235.6 million. The decrease was mainly due to decrease in impairment losses recognised in current year.

3.7 Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK\$1,912.0 million (31 December 2020: HK\$1,745.8 million) and interests on corporate bonds and notes payable of HK\$953.0 million (31 December 2020: HK\$1,032.2 million).

3.8 Share of profits of joint ventures

Share of profits of joint ventures increased to HK\$861.7 million, compared to last year of HK\$729.7 million. The increase was mainly due to increase in share of profits of the joint ventures which engaged in construction services for comprehensive renovation projects.

3.9 Share of profits of associates

Share of profits of associates decreased to HK\$58.1 million, compared to last year of HK\$330.8 million. The decrease was mainly due to share of loss of Beijing Enterprises Clean Energy Group Limited.

3.10 Income tax expense

Income tax expense for the year included the current PRC income tax of HK\$776.5 million. The effective tax rate for the PRC operation was about 19% 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\$647.4 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 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.

3.13 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\$119,642.0 million (2020: HK\$112,467.8 million) included:

By accounting nature:

	Non-current HK\$'M	2021 Current HK\$'M	Total HK\$'M	Non-current HK\$'M	2020 Current HK\$'M	Total HK\$'M
(i) Amounts due from contract customers	36,255.5	3,798.7	40,054.2	42,314.2	3,091.7	45,405.9
(ii) Receivables under service concession arrangements	53,218.1	5,522.7	58,740.8	41,698.3	4,131.4	45,829.7
(iii) Trade receivables	11,956.1	8,890.9	20,847.0	12,277.1	8,955.1	21,232.2
Total	101,429.7	18,212.3	119,642.0	96,289.6	16,178.2	112,467.8

- (i) Amounts due from contract customers of HK\$40,054.2 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\$5,351.7 million (non-current portion decreased by HK\$6,058.7 million and current portion increased by HK\$707.0 million), which was mainly due to reclassification to receivables under service concession arrangements as a result of operation commencement of certain BOT projects;

- (ii) Receivables under service concession arrangements of HK\$58,740.8 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\$12,911.1 million (non-current portion increased by HK\$11,519.8 million and current portion increased by HK\$1,391.3 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\$20,847.0 million mainly arose from the provision of construction services for comprehensive renovation projects, technical and consultancy services and sewage treatment equipment trading. The balance decreased by HK\$385.2 million (non-current portion decreased by HK\$321.0 million and current portion decreased by HK\$64.2 million).

By business nature:

	2021	2020
	<i>HK\$'M</i>	<i>HK\$'M</i>
Water treatment services by BOT and TOT projects	83,483.8	76,823.7
Construction services of comprehensive renovation projects	31,445.5	31,486.2
Technical and consultancy services and other businesses	4,712.7	4,157.9
Total	<u>119,642.0</u>	<u>112,467.8</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\$83,483.8 million (2020: HK\$76,823.7 million). Total receivables for the construction service of comprehensive renovation projects were HK\$31,445.5 million (2020: HK\$31,486.2 million). Total receivables for technical and consultancy services and other businesses were HK\$4,712.7 million (2020: HK\$4,157.9 million).

3.14 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. Increase was mainly due to reclassification from amounts due from contract customers as a result of operation commencement of certain BOT projects.

3.15 Investments in joint ventures

Investments in joint ventures increased by HK\$992.6 million, mainly due to share of profits during the year.

3.16 Investments in associates

Investments in associates increased by HK\$174.4 million, mainly due to share of profits and exchange fluctuation reserve during the year.

3.17 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables increased by HK\$167.6 million (non-current portion decreased by HK\$10.0 million and current portion increased by HK\$177.6 million), mainly due to the increase in amount due from joint ventures and associates.

3.18 Cash and cash equivalents

Cash and cash equivalents decreased by HK\$3,954.5 million which was mainly utilised for acquisition and construction of various water projects in the PRC during the year.

3.19 Other payables and accruals

Other payables and accruals decreased by HK\$547.0 million. The decrease was mainly due to the decrease in amount due to joint ventures during the year.

3.20 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 million 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.

3.21 Perpetual capital instruments

Perpetual capital instruments with principal amount of RMB1,000 million and RMB1,500 million were issued on 30 August 2021 and 25 October 2021 respectively for the purpose of partial repayment of the perpetual capital instruments with an aggregate principal amount of RMB5,600 million issued in 2016. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Group subject to certain conditions. The perpetual capital instruments are classified as equity instruments.

3.22 Non-controlling interests

Non-controlling interests increased by HK\$7,327.9 million. Increase was mainly due to capital contributions of RMB4,490 million 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) during the year.

3.23 Bank and other borrowings

Bank and other borrowings increased by HK\$7,040.2 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 during the year.

3.24 Corporate bonds

Corporate bonds decreased by HK\$3,007.2 million mainly due to the issuance of three new corporate bonds with total principal amount of RMB3,500 million while corporate bonds with principal amount of RMB6,150 million were repaid during the year.

3.25 Trade payables

The decrease in trade payables by HK\$1,350.5 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.

[#] for identification purpose only

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 2021, the Group's cash and cash equivalents amounted to HK\$10,742.7 million (31 December 2020: HK\$14,697.2 million).

The Group's total borrowings amounted to HK\$76,113.5 million (31 December 2020: HK\$72,286.3 million) comprised bank and other borrowings of HK\$56,673.9 million (31 December 2020: HK\$49,633.7 million), notes payable of HK\$2,438.6 million (31 December 2020: HK\$2,379.7 million), corporate bonds of HK\$17,001.0 million (31 December 2020: HK\$20,008.2 million) and finance lease payables* of nil (31 December 2020: HK\$264.7 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.

As at 31 December 2021, the Group had banking facilities amounting to HK\$60.0 billion, of which HK\$35.9 billion have not been utilised. The banking facilities are of 1 to 20 years term.

The Group's total equity amounted to HK\$63,548.8 million (31 December 2020: HK\$57,124.0 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 1.03 as at 31 December 2021 (31 December 2020: 1.01). The increase in the gearing ratio as at 31 December 2021 was mainly due to the increase in bank and other borrowings during the year. The corresponding funds were mainly utilised for the acquisition and construction of various water projects in the PRC.

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

3.28 Capital expenditures

During the year, the Group's total capital expenditures were HK\$10,709.6 million (31 December 2020: HK\$9,567.4 million), of which HK\$649.0 million was paid for the acquisition of property, plant and equipment, right-of-use assets and intangible assets; HK\$9,643.1 million represented the construction and acquisition of water plants; and HK\$417.5 million represented the consideration for acquisition of equity interests in equity investments and capital injections in joint ventures and associates.

4. Future outlook

4.1 Sustainable development

In 2021, the Group has embarked on a cultural consensus project and achieved the operational objective of “customer orientation through innovation capability”. Rooted in its core values of “to be committed, to create value and to share with others”, it has defined its mission as “vitalising your life with our new water services” and vision as “becoming a world-class provider of reliable and leading water services and environmental services”. The medium-term and long-term strategic goals are to consistently acquire and manage assets in large amounts, apply technology and innovative models to new business growth, boost operational efficiency and realise corporate sustainability. With synergy across the units at all levels and co-operation between all departments, the Group strives for a consensus at the top management regarding areas from cultural identity to behavioural self-awareness, so as to foster sustainable development.

Adhering to its innovative strategies and focusing on the research and development (“R&D”) of innovative technology, the Group is dedicated to demonstrate customer orientation in its technological products. It makes use of innovative technology development model to strengthen ecological cooperation in areas of technology, expedite the accumulation of intellectual properties and strengthen the core competitiveness of its brands. By improving project-based R&D works, project commercialisation and product marketing, the Group aims to speed up the application of its technological achievements, thereby giving new impetuses to corporate transformation.

For the purpose of meeting the needs of the asset-light strategy as well as the environmental sector for high calibre and quality candidates, talent grooming is one of the Group's priorities and the digitalisation of the human resource system has been continuously enhanced. The Group keeps motivating and exploring the potential of competent staff members who are able to meet its development requirements in order to ensure the supply of talent. Performance management is strengthened through reforms to inject fresh momentum to the organisation and give renewed vitality to employees.

In response to the country's "3060 carbon peak and neutrality goals", the Group takes initiatives to explore low-carbon treatment options in various aspects including policy support, understanding of vision, emission reduction techniques, new technology R&D, renewable energy operation and cross-sector collaboration, and to persistently boost the operational efficiency of its projects.

4.2 *Future prospect*

The 14th Five-Year Plan period is crucial for the country's ecological progress towards pollution and carbon reduction, green development and environmental improvement, which present both opportunities and challenges for the industry. As 2022 is a bridging year for carrying on with its strategic goals, the Group will earnestly implement the corporate strategies by pooling the best brains, being committed to customer orientation, undergo organisational reform, promote collaboration with integrated operations, and pursue sustainable development.

The Group will continue to acquire and manage assets in large amounts, apply technology and innovative models to new business growth, boost operational efficiency and realise corporate sustainability. To pursue the operation objective of "customer orientation through innovation capability", it will establish a good brand image focusing on customers and innovation by strengthening customer engagement, improving customer experience and further boosting customer satisfaction. It will also vigorously acquire assets in large amounts. More efforts will be made to expand new businesses such as sludge treatment, pipe network construction, sewage recycling and urban "water keeper" services. Intrapreneurship and establishment of professional service companies are encouraged and operational efficiency will be further boosted. The human resource system will be restructured and core capabilities in capital and innovation will be built. The ultimate goal is to become a world-class provider of reliable and leading water services and environmental services.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed 17,888 employees. Total staff cost for the year ended 31 December 2021 was HK\$3,622,166,000 (year ended 31 December 2020: HK\$3,149,616,000). 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. The Scheme was expired on 27 June 2021. 114,226,000 share options were exercised, no share option was lapsed or cancelled during the year ended 31 December 2021. As at 31 December 2021, the Company had 140,500,000 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 1.41% of the Company's ordinary shares in issue as at 31 December 2021. On 26 September 2019, the Company had granted 15,374,599 awarded shares pursuant to the share award scheme. All the awarded shares were vested or lapsed during the year ended 31 December 2020. On 1 November 2021, the Company had granted 12,471,409 awarded shares pursuant to the share award scheme. As at 31 December 2021, the Company had 140,920 awarded shares outstanding which represented approximately 0.0014% of the Company's ordinary shares in issue.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year ended 31 December 2021, 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 2021 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 2021, 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

(a) Guarantees

As at 31 December 2021, bank guarantees in favour of employers in lieu of deposits for project bidding and project performance of HK\$1,223,872,000 (31 December 2020: HK\$1,145,819,000) were outstanding and corporate guarantees of HK\$3,635,425,000 (31 December 2020: HK\$3,992,594,000) were given to banks and/or institutional investors in connection with facilities granted to certain associates, joint ventures and bonds issued by joint ventures.

(b) Litigation

In September 2021, a plaintiff commenced an arbitration proceeding against a direct wholly-owned subsidiary of the Company (the "Subsidiary A"), alleging that the Subsidiary A failed in execution of an agreement which the Subsidiary A agreed to engage the plaintiff for not less than RMB1 billion of PPP construction work within one year from the agreement date. The first hearing was scheduled on 8 March 2022, both the plaintiff and the defendant have completed the stage of disclosure and preparation of witness statements, the final arbitral award is expected to be issued by the end of June 2022.

As advised by the external legal advisers of the Subsidiary A, having considered the facts and submissions made in relation to the case, the Subsidiary A has a reasonable prospect in successfully defending the claim and, therefore, no material adverse financial impact on the Group is expected and the Group has not provided for any claim arising from the legal proceeding.

Save as disclosed above, at 31 December 2021, the Group did not have any significant contingent liabilities.

FINAL DIVIDEND

The Board proposed to pay final dividend of HK6.7 cents per ordinary share for the financial year ended 31 December 2021 (the “Proposed Final Dividend”). The Proposed Final Dividend is subject to shareholders’ approval at the annual general meeting of the Company to be held on Wednesday, 8 June 2022, payable to shareholders of the Company whose names appear on the register of members of the Company on Friday, 17 June 2022.

CLOSURES OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Thursday, 2 June 2022 to Wednesday, 8 June 2022 (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, 8 June 2022, 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 Wednesday, 1 June 2022.

For Entitlement to Proposed Final Dividend

The register of members will be closed from Wednesday, 15 June 2022 to Friday, 17 June 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the Proposed Final Dividend, 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, 14 June 2022. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the Proposed Final Dividend will be paid on or around Thursday, 30 June 2022.

CORPORATE GOVERNANCE

During the year ended 31 December 2021, 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 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 2021. 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 2021, 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 2021 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 2021 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 and consequently no opinion on assurance conclusion has been expressed by the Company's auditors on the preliminary announcement.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Redemption of RMB700,000,000 3.25% Bonds Due 2024

For the year ended 31 December 2021, the Group redeemed and cancelled the three years prior to the maturity date the amount of RMB700,000,000 3.25% bonds due 2024 issued by the Company at the redemption amount of RMB700,000,000 plus accrued interest which was paid.

Redemption of RMB2,200,000,000 3.33% Bonds Due 2023

For the year ended 31 December 2021, the Group redeemed and cancelled the two years prior to the maturity date the amount of RMB2,200,000,000 3.33% bonds due 2023 issued by the Company at the redemption amount of RMB2,200,000,000 plus accrued interest which was paid.

Save as the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2021.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (www.bewg.net) and the website of the Stock Exchange (www.hkexnews.hk). The 2021 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 2022

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. Wang Dianchang and five independent non-executive directors, namely Mr. Shea Chun Lok Quadrant, Mr. Zhang Gaobo, Mr. Guo Rui, Mr. Wang Kaijun and Mr. Chau On Ta Yuen.