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北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 392)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

- Revenue for the year amounted to approximately HK\$80.44 billion, representing an increase of 17.6% over last year.
- EBITDA amounted to approximately HK\$18.54 billion, representing an increase of 41.2% over last year.
- Profit attributable to shareholders of the Company amounted to approximately HK\$9.92 billion, representing an increase of 87.6% over last year.
- After excluding the effect of the one-off events for the current year and last year, profit attributable to shareholders of the Company amounted to HK\$8.62 billion, representing an increase of 13.6% over last year.
- Basic and diluted earnings per share amounted to HK\$7.86, representing an increase of 87.6% over last year.
- A final dividend of HK85 cents per share is proposed for 2021.

RESULTS

The Board of Directors of Beijing Enterprises Holdings Limited (the “Company”) is pleased to announce that, the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2021, together with the comparative figures for the previous year. The revenue of the Group was approximately HK\$80.44 billion for 2021, representing an increase of 17.6% over last year. Profit attributable to shareholders of the Company was approximately HK\$9.92 billion, representing an increase of 87.6% as compared to 2020. After excluding the effect of the one-off events for the current year and last year, profit attributable to shareholders of the Company amounted to HK\$8.62 billion, representing an increase of 13.6% as compared to 2020.

Profit contributed by each business segment during the year is set out as follows:

	Profit of the Company <i>HK\$'000</i>	Proportion %
Piped gas operation	7,016,708	68.7
Beer operation	399,656	3.9
Water and environmental operations	1,720,336	16.8
Solid waste treatment operation	<u>1,083,218</u>	<u>10.6</u>
Profit from major operations	10,219,918	100
Corporate and others	<u>298,713</u>	
Profit of the Company	<u>10,518,631</u>	
Profit attributable to non-controlling interests	<u>(599,991)</u>	
Profit attributable to shareholders of the Company	<u><u>9,918,640</u></u>	

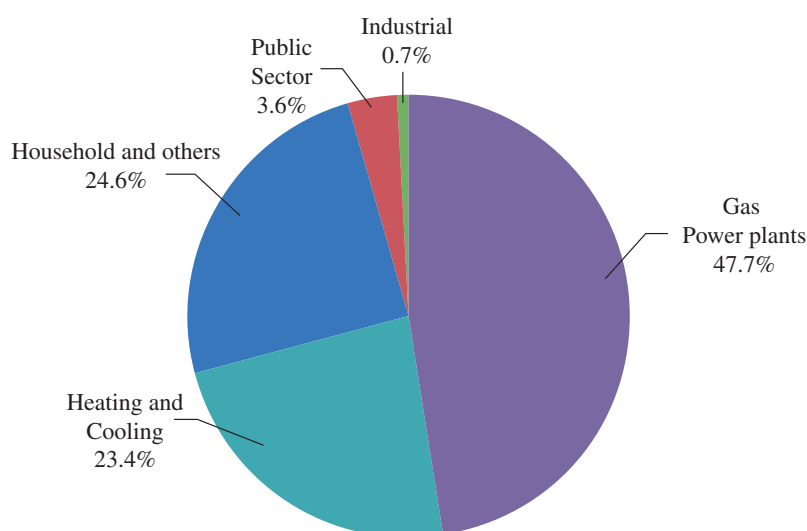
MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

In 2021 (the “Reporting Period”), the global situation of the novel coronavirus (COVID-19) epidemic was volatile. While facing economic development pressure, under the strategy of full implementation of new development thinkings and acceleration of constructing a new development layout, the overall economic development and epidemic control in China remained stable and the fundamentals continued to show stable growth. The Group coordinated the epidemic prevention and control and enterprise management and development, with determination to conduct reform, innovation and upgrade, its corporate operating results recorded a sound growth.

Natural Gas Distribution Business of Beijing Gas

Beijing Gas Group Company Limited (“Beijing Gas”) recorded a revenue of HK\$58.09 billion in 2021, representing a year-on-year increase of 19.7%. Profit before taxation from the principal businesses (including natural gas distribution business, natural gas transmission business and VCNG of Rosneft) was HK\$5.61 billion, representing a year-on-year increase of 24.2%. Beijing Gas accomplished an aggregate gas sales volume of 18.9 billion cubic metres during the year, after combining with the subsidiaries outside Beijing, representing a year-on-year increase of 5%. Affected by the combining factors such as temperature, increasing demand and market expansion, the natural gas sales volume accomplished inside Beijing increased by 2.2% year-on-year to 16.935 billion cubic metres. An analysis of the same by subscriber sector is shown as follows:



During the Report Period, Beijing Gas developed approximately 174,600 new household subscribers and 6,961 new business sector subscribers. New heating boiler subscribers with a total capacity of 3,139 t/h were developed. As of 31 December 2021, Beijing Gas had a total of approximately 6.84 million piped gas subscribers in Beijing and approximately 26,900 kilometres of natural gas pipelines in operation. Beijing Gas' capital expenditure for the year amounted to approximately HK\$7.19 billion.

Beijing Gas steadily promoted its Beijing-Tianjin-Hebei market layout in 2021 and its city gas business recorded continuous growth. Beijing Gas' LNG business realised a sound development, with procurement and sales system becoming increasingly matured. During the year, it conducted competitive negotiations on international long-term LNG resource procurement and made a new breakthrough in international trade capacity. The key fundamental projects moved forward smoothly with Tianjin Nangang project completed its construction task for the year and Tangshan LNG terminal project was put into operation. The value-added business recorded a rapid growth. By focusing on improving the safety of users in consuming gas, it enriched the supply, production, sales and service system gradually under the "product + service" business model, so as to propel the coordinated development of derived business and principal business. It actively promoted integrated energy projects in Xiongan and Huairou, and new energy projects such as distributed photovoltaics and geothermal energy also made new progresses.

Natural Gas Transmission Business

PipeChina Group Beijing Pipeline Co., Ltd. ("PipeChina Beijing Pipeline Co.,") recorded a gas transmission volume of 54.27 billion cubic meters in 2021, representing a year-on-year increase of 10%. During the period, Beijing Gas' share of net profit after taxation, through its 40% equity interests in PipeChina Beijing Pipeline Co., amounted to HK\$1.63 billion, representing a year-on-year increase of 19.3%. The total capital expenditure of PipeChina Beijing Pipeline Co., for the year was approximately HK\$1.75 billion.

VCNG of Rosneft

During the Reporting Period, the PJSC Verkhnechonskneftegaz ("VCNG") project of Rosneft Oil Company achieved its petroleum sales of 6.714 million tons, representing a year-on-year decrease of 9.8%. Beijing Gas shared a net operating profit after taxation of HK\$1.04 billion through its 20% equity interest in VCNG, representing a year-on-year increase of 46.8%, which was mainly affected by the substantial increase in oil prices.

China Gas

China Gas Holdings Limited (“China Gas”, stock code: 384) achieved a profit attributable to the Group of HK\$2.17 billion in 2021, representing a year-on-year decrease of 1.5%. During the six months ended 30 September 2021, China Gas actively adapted to industry changes and market development, adopted a more prudent and pragmatic operation strategy, recalibrated the management of safe operation comprehensively, and organised investigation and rectification for hidden danger stringently, and initiated the reconstruction of the safety system, operation system, customer service system, engineering system and technical system. In addition to optimising the development model of its principal business, China Gas also endeavoured to promote the implementation of new business layouts, laying a solid foundation for the realisation of high-quality and sustainable development of the company. During the six months ended 30 September 2021, China Gas’ total natural gas sales volume increased by 21.1% to 15.53 billion cubic metres, and its LPG sales volume increased by 13.9% to 2.22 million tons. Approximately 1.73 million households were newly connected, and the cumulative number of households connected reached approximately 41.88 million as at 30 September 2021.

Beer Business

During the period, Beijing Yanjing Brewery Co., Ltd. (“Yanjing Brewery”) closely focused on the theme of high-quality development, adhered to the philosophy of innovation-driven, constantly deepened corporate reform, actively promoted corporate transformation and upgrading, and overcame the complicated environment and difficulties such as acute market competition due to the COVID-19 epidemic and increasing raw material costs. With bulk single product as the core driver, it focused on structural adjustments and quality improvement to constantly enhance the comprehensive competitiveness of the enterprise.

During the Reporting Period, Yanjing Brewery achieved a sales volume of 3.621 million kilolitres, representing a year-on-year increase of 2.44%. The revenue that Beijing Yanjing Brewery Investments Co., Limited* (北京燕京啤酒投資有限公司) (“Yanjing Limited”) recorded was HK\$12.84 billion during the period, representing a year-on-year increase of 16.3%, with its profit before taxation of HK\$583 million, representing a year-on-year increase of 25.8%. The capital expenditure of Yanjing Limited for the year was approximately HK\$424 million.

Water and Environmental Business

Beijing Enterprises Water Group Limited (“BE Water”, stock code: 371) accelerated its transformation and transition under the asset-light strategy. It actively built the business empowerment platform, advanced the product-based transformation of water operation services and continuously optimised the revenue and profit structure. The contribution of revenue from water fees and consultancy services operation during the year increased significantly year-on-year. Meanwhile, it boosted efforts in account receivables collection to effectively increase revenue from projects, reduce capital pressure and improve cash flows continuously. During the year, the product development in the application of smart water has achieved remarkable results and preliminarily achieved the coverage of digital capability over all business categories. It facilitated the transformation of the management model internally and developed systems on smart water products and deployment and maintenance capabilities externally, further enhanced the digital competitiveness of the enterprise. BE Water’s revenue for the year increased by 10% year-on-year to HK\$27.88 billion, and profit attributable to its shareholders amounted to HK\$4.2 billion during the year, which remained the same over last year. The net profit attributable to the Group was HK\$1.72 billion, which remained the same over last year.

As at 31 December 2021, BE Water already participated in 1,370 water plants which are or will be in operation, including 1,116 sewage treatment plants, 191 water distribution plants, 61 reclaimed water treatment plants and 2 seawater desalination plants, with a total design capacity of 44.89 million tons/day. The net increase in design capacity for the period was 2.76 million tons/day.

Solid Waste Treatment Business

As at the end of 2021, the Group’s waste incineration power generation treatment capacity of the solid waste treatment business segment reached 34,477 tons/day. Benefited from the increase in waste treatment volumes, waste treatment fees and revenue from power generation, revenue of Waste GmbH (“EEW GmbH”) increased by 6.6% year-on-year to HK\$6.04 billion. During the year, it accomplished a waste treatment volume of 4.907 million tons, representing a year-on-year increase of 2.0%. The sales volume of electricity was 1,784 million KWH, a year-on-year decrease of 1.9%. The sales volume of heat was 943 million KWH, a year-on-year increase of 6.3%. The sales volume of steam was 2.221 billion KWH, a year-on-year increase of 6.0%.

During the year, the domestic solid waste treatment business segment of the Group recorded a waste treatment volume of 5.75 million tons, representing a year-on-year increase of 10.2%. It completed an on grid power generation volume of 1.73 billion KWH, representing a year-on-year increase of 13.5%. The domestic solid waste treatment projects including Beijing Enterprises Environment Group Limited (“BE Environment”, stock code: 154) and Beijing Enterprises Holdings Environment Technology Co., Ltd (“BEHET”) achieved a total revenue of HK\$3.46 billion during the period, representing a year-on-year increase of 10.0%. Profit attributable to shareholders of the Group amounted to HK\$118 million. During the period, the domestic solid waste treatment business segment completed its management integration and vigorously improved the group management, enhanced segment operation strength and laid a solid foundation for building “a leading comprehensive environmental services provider with the solid waste treatment and disposal as the core business in the PRC”. The capital expenditure for solid waste related businesses (both domestic and overseas) of the Company during the year was approximately HK\$3.23 billion.

Major capital operations

In 2021, the Group completed the maturing and existing debts swap with a total amount of approximately HK\$17.6 billion through the issuance of US\$700 million bonds, signed the five-year bank loans and the drawdown of revolving short-term financing loans, thereby successfully achieved the stable transition of its first over HK\$10 billion debts maturity peak since the listing of the Company. It effectively avoided the debt and capital risks and continued to provide stable capital security to the operation of its principal businesses. In addition, EEW GmbH, a wholly-owned subsidiary of the Group, successfully issued the EUR400 million five-year green bonds with coupon interest of 0.36%, which had further consolidated and improved the image of the Company as an overseas green enterprise and fully demonstrated the Group’s determination to promote the sustainable development and environmentally-friendly projects and actively improved the economic, social and environmental benefits of the enterprise.

Sustainable development

The Group has always been devoted to improving the environmental, social and governance (ESG) performance. The latest ESG rating results released by Morgan Stanley Capital International (MSCI) indicates that the ESG rating of the Group has been upgraded to BBB, where the scores of “Biodiversity & Land Use” and “Corporate Behavior” improved significantly, reflecting the outstanding performance of the Group in environmental protection, social responsibility and corporate governance. It also demonstrates the capital market’s recognition of the Group’s sustainable development ability.

During the year, the Company has formulated and announced three sustainability-related policies, namely the “Management Policy of Biodiversity Protection”, the “Management Policy of Workers’ Rights and Interests” and the “Management Policy of Sustainable Supply Chain”. At the end of the year, the Board duly passed the “Management Measures on Sustainable Development System” and established the Sustainability Committee, providing systematic guarantee for the further improvement of subsequent ESG engagements.

Principal Risks – Exchange Rate Fluctuation

The Group primarily operates its businesses in the PRC, therefore, most of its revenues and expenses are transacted in RMB. The value of RMB against Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, the changes in the PRC’s economic conditions and policies. The conversion of RMB into foreign currencies, including Hong Kong Dollar and U.S. Dollar, has been based on rates guided by the People’s Bank of China.

In 2021, the exchange rates of RMB against Hong Kong Dollar and U.S. Dollar remained strong, and the Board did not expect the mild fluctuation of RMB’s exchange rate in the future will have material adverse impact on the operations of the Group. As the Euro assets and Euro debts of the Group were basically matched, the Group was less affected by the fluctuation of Euro exchange rate.

Main Uncertainties

The Group’s principal businesses include downstream natural gas distribution and middle stream natural gas transmission, water and environmental operations, solid waste treatment and beer businesses. Most of the utilities related businesses are governed by policies set out by National Development and Reform Commission and may be subject to changes from time to time. The continued epidemic spread abroad has led to a decline in international energy demand, while the normalisation of epidemic prevention and control at home has brought about numerous changes and uncertainties in the industry and market environment associated with the Group’s businesses. The Group will make timely adjustment to its strategy and give proactive response so as to obtain operating initiatives in the market transformation where accelerating changes in the domestic industrial chain, the rebound in consumer demand and the upgrading of the consumer structure are taking place.

II. PROSPECTS

2022 marks the 25th anniversary of the Company listing on the Hong Kong capital market, which is also a crucial year for expanding the new development layout under the 14th Five-Year Plan. The Group will give full play to its congenital advantages in capital operation and the functions of investment and financing platforms, firmly respond to the opportunities and challenges under the strategic targets of “emission peak and carbon neutrality”, adhere to the main business lines of energy services and green environmental operation and fully promote strategic upgrading to build more powerful industrial development drivers for the sustainable development of the Group in the future.

Natural gas distribution business of Beijing Gas

Beijing Gas will seize the opportunities under the “emission peak and carbon neutrality” targets, expand market potential in all dimensions, speed up the transformation and upgrading of energy services and continuously promote the development of markets both inside and outside Beijing and in the upstream and downstream segments. In terms of Beijing market, Beijing Gas will consolidate the results of the “coal-free” governance in the plain region, seize the market growth in coal replacement with natural gas and consolidate the free markets outside the supply system. For the market outside Beijing, it will intensify the management and control over investment enterprises outside Beijing and build new growth drivers for revenue and profit. In the upstream market, Beijing Gas will perform well in the long-term international procurement of LNG resources and further expand the capacity of international trade. In the downstream market, it will continue to step up efforts in market development and develop big users along the Nangang gas pipeline targeting the markets along the outbound pipeline. It will expand the new energy business layout and conduct the coupling and utilisation of natural gas and renewable energies. It will take full advantage of value-added service platforms and systems under operation to constantly expand the market and improve the economies of scale and contributions. In line with the “emission peak and carbon neutrality” targets, Beijing Gas will continue to enrich energy service categories, expand the connotation of energy operation services and accelerate the upgrading of the “Focusing on Energy” strategy of Beijing Gas.

VCNG of Rosneft

No direct impact on the production and operation of the VCNG project was resulted from the recent military conflict between Russia and Ukraine. However, due to the significant fluctuation of the ruble exchange rate, the investment in this project carries risks of losses in investment income, and reduction in attributable assets and profit. Beijing Gas will continue to pay attention to the development of the Russia-Ukraine situation and market changes, and actively explore measures to maintain capital security under extreme circumstances.

China Gas

China Gas will actively respond to the crisis in its operation that encountered in 2021 and vigorously reshape the five systems on “safety, technology, engineering, operation and customer services” to practically improve safety management standard. It will move forward to improve the quality and efficiency of its principal businesses and promote the high-quality development of the gas business in rural areas. It will strengthen the coordinated facilitation of industrial chains to achieve the leapfrog development of the LPG business. It will boost efforts to improve the level of digital operation for the value-added business and continue to increase sales in the value-added business. It will focus on the layout in key cities and expand the urban heating business through new measures, innovative approaches and new ideas. It will implement the microgrid policies and actively carry out market-based operation to seize premier markets, and innovate electricity and new energy development models with the operation of light assets as the core.

Beer business

In the future, Yanjing Brewery will consolidate its advantages in existing markets, speed up the upgrading of product marketing to reshape the industry leading position of Yanjing Brewery. It will consolidate market fundamentals and deeply promote its strategy of bulk single product to expand sales volume, develop super bulk single product and establish featured product lines with Yanjing Weissbier, draft, V10, U8, fresh beer and refreshing beer. It will establish and enrich brand cells and fully leverage on the resources of the Winter Olympics in brand publicity and promote the transformation of brand image towards young people. It will accelerate the innovation and upgrading of marketing channels, explore new consumption scenarios and enter new markets through new retail models to constantly develop new customer groups.

Water and environmental business

BE Water 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. It will establish a good brand image focusing on customers and innovation by strengthening customer engagement, improving customer experience and further boosting customer satisfaction. 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 reliable and leading world-class provider of water and environmental services.

Solid waste treatment business

For the domestic solid waste treatment business, the Group will consolidate the management integration results, promote the systematic, standardised and information-based construction of operation and management, and further consolidate the management foundations. Meanwhile, the Group will continue to improve the efficiency of existing projects and rapidly enhance the core market competitiveness through various measures such as asset integration, innovation in business models and speeding up the introduction of technology. It will also strive to build an advanced corporate culture and converge the joint forces of organisation.

In the overseas markets, EEW GmbH will seize the opportunities under the EU’s climate policies. Leveraging its existing operation scale, the Group will implement the capacities and performance of production expansion projects; and actively carry out the development and application of carbon captured and new technologies, further improve business synergy capability and expand the scale and revenue contribution of sludge incineration and other high value-added businesses.

III. FINANCIAL REVIEW

Revenue

The revenue of the Group in 2021 was HK\$80.44 billion, which increased by 17.6% as compared with 2020. Of which, the revenue of Beijing Gas was HK\$58.09 billion, representing a year-on-year increase of 19.7%, which accounted for 72.2% of total revenue. The revenue of beer sales was HK\$12.84 billion, which accounted for 16.0% of total revenue. The solid waste treatment businesses contributed a total revenue of HK\$9.50 billion, which accounted for 11.8% of total revenue, including the revenue of EEW GmbH amounted to HK\$6.04 billion.

Cost of Sales

Cost of sales increased by 18.4% to HK\$68.15 billion. Cost of sales of gas distribution business included purchase cost of natural gas as well as depreciation charge of pipeline network. Cost of sales of brewery business included raw materials, wage expenses and absorption of certain direct overheads. Cost of sales of solid waste treatment business included fuel charges, amortisation and waste collection costs.

Gross Profit Margin

In 2021, the overall gross profit margin was 15.3%, down by 0.6 percentage point when compared with 15.9% of last year. The slight decrease in overall gross profit margin was mainly attributable to the increase in raw materials and labour costs of Yanjing Brewery.

Gain on Deemed Disposal of Partial Interests in Associates, Net

In 2021, China Gas, an associate of the Group, issued 392,000,000 ordinary shares at the price of HK\$29.75 per share. A total gain of HK\$1.7 billion on the deemed disposal of the partial interest in associates was recognised as the equity interest held by the Group was diluted. In addition, BE Water recognised a loss of HK\$77 million on the deemed disposal of partial interest in associates as a result of the exercise of options to issue ordinary shares during the year. The Group recognised a total of HK\$1.63 billion of related gain in 2021.

There was no related gain in 2020.

Other Income

Other income mainly comprised government grants of HK\$246 million; dividend income of HK\$236 million; gain on transfer of assets from customers of HK\$64 million; rental income of HK\$53 million; income of sales of scraps and beer bottles of Yanjing Brewery amounting to HK\$209 million and bank interest income amounting to HK\$677 million.

Selling and Distribution Expenses

Selling and distribution expenses of the Group in 2021 were HK\$2.27 billion, increased by 12.1% when compared to last year, which was mainly attributable to the increase in selling and distribution expenses of Yanjing Brewery with the easing of COVID-2019 epidemic.

Administrative Expenses

Administrative expenses of the Group in 2021 were HK\$6.3 billion, increased by 33.5% when compared to last year, which was mainly attributable to the increase in administrative expenses of Beijing Gas and Yanjing Brewery.

Other Operating Expenses, net

Other operating expenses, net decreased when compared to last year, which was mainly attributable to the inclusion of impairment on certain assets of solid waste businesses affected by the change in the national electricity tariff subsidy policy during the year in 2020.

Finance Costs

Finance costs of the Group in 2021 were HK\$1.65 billion, decreased by 17.6% when compared to 2020, which was mainly due to the decrease in loan costs.

Share of Profits and Losses of Associates

Share of profits and losses of associates mainly included the 40% share of profit attributable to shareholders of PipeChina Beijing Pipeline Co., the 20% share of profit attributable to shareholders of VCNG, the 22.14% share of profit attributable to shareholders of China Gas and the 41% share of profit attributable to shareholders of BE Water.

In 2021, the Group shared the profit after taxation of PipeChina Beijing Pipeline Co. amounting to HK\$1.63 billion, the profit after taxation of VCNG amounting to HK\$1.04 billion, the profit after taxation of China Gas amounting to HK\$2.17 billion and the net profit of BE Water amounting to HK\$1.72 billion.

Taxation

After deducting the share of profits and losses of associates and jointly-controlled entities, the effective income tax rate was 20.9%, which was lower than the 60% in last year and was mainly due to the non-deductible taxation effect of the asset value adjustment for Beijing Gas Blue Sky and certain impairment expenses for solid waste business in last year.

Profit Attributable to Shareholders of the Company

The profit attributable to the shareholders of the Company for the year ended 31 December 2021 was HK\$9.92 billion, representing an increase of approximately 87.6% over last year.

IV. FINANCIAL POSITION OF THE GROUP

Non-current assets

Property, plant and equipment

The net book value of property, plant and equipment was approximately HK\$60.6 billion, increased by 8.4% over last year, which was mainly attributable to increase in construction projects amid the slowdown of the COVID-19 epidemic.

Other intangible assets

Other intangible assets were mainly from EEW GmbH.

Investments in associates

The increase in balance by HK\$5.47 billion was mainly due to the share of profits from BE Water, PipeChina Beijing Pipeline Co., VCNG and China Gas.

Equity investments at fair value through other comprehensive income

It mainly represented the fair value of Beijing Gas's investment in CNPC Capital Company Limited.

Receivables under a finance lease

The balance of receivables under a finance lease was from EEW GmbH.

Financial asset at fair value through profit or loss

It mainly represented the fair value of Beijing Gas' investment in Beijing Guolian Energy Industrial Investment Fund (L.P.).

Prepayments, other receivables and other assets

The balance increased by HK\$934 million, which was mainly derived from the prepayments of Beijing Gas.

Current assets

Inventories

It mainly represented the inventory balance of Yanjing Brewery.

Trade receivables

The balance decreased by HK\$111 million, which was basically unchanged as compared with last year.

Cash and Bank Borrowings

As at 31 December 2021, cash and bank deposits held by the Group amounted to HK\$33.24 billion. The Group maintains sufficient banking facilities for its working capital requirements and has sufficient cash resources to finance its capital expenditures in the foreseeable future.

The Group's total borrowings amounted to HK\$72.01 billion as at 31 December 2021, which comprised, inter alia, guaranteed bonds and senior notes of US\$2.6 billion in total, Euro guaranteed bonds amounting to EUR1.7 billion and bank loans of the Company's headquarter amounting to HK\$21.04 billion. Around 62.0% of the total borrowings were denominated in US and Hong Kong dollar and 25.7% in Euro. The Group had net borrowings of HK\$38.77 billion as at 31 December 2021, decreased by 1.9% year-one-year.

Non-current liabilities

Bank and other borrowings

There was an decrease of HK\$192 million in long-term and short-term balance in total, which was basically the same as last year.

Guaranteed bonds and notes

The balance of guaranteed bonds and notes included the guaranteed bonds of US\$700 million issued by the Group and the guaranteed green bonds of EUR400 million issued by EEW during the Year. The balance decreased by HK\$9.01 billion, which was mainly due to the reclassification of certain relevant guaranteed bonds and notes due within one year after the period to current liabilities during the period.

Provision for onerous contracts and major overhauls

The balances were mainly from EEW GmbH.

Current liabilities

Other payables, accruals and contract liabilities

The increase in balance of HK\$2.75 billion was mainly due to the increase in the project amounts payable of Beijing Gas.

Liquidity and Capital Resource

The downstream natural gas distribution business, plus the dividends income from PetroChina Beijing Pipeline Co., the dividends from BE Water, China Gas and EEW GmbH, have been constantly contributing to the operating cash flow of the Group and significantly increased its liquidity. As at the end of 2021, the issued capital of the Company amounted to 1,262,053,268 shares and the shareholders' equity was HK\$95.98 billion. Total equity was HK\$109.07 billion. The gearing ratio, that is all the interest-bearing borrowings, guaranteed bonds and notes divided by the sum of total equity plus all interest-bearing borrowings, guaranteed bonds and notes was 40% (2020: 41%).

Majority of the subsidiaries of the Company are operating in the PRC with most of the transactions denominated and settled in RMB. Currently, the Group has not used any derivative financial instruments to hedge against its risk on foreign exchange rates' fluctuation.

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	2	80,435,451	68,407,443
Cost of sales		<u>(68,153,716)</u>	<u>(57,542,546)</u>
Gross profit		12,281,735	10,864,897
Gain on deemed disposal of partial interests in associates, net	3	1,627,382	–
Other income and gains, net	4	2,055,921	1,811,336
Selling and distribution expenses		(2,273,969)	(2,028,737)
Administrative expenses		(6,304,993)	(4,723,212)
Other operating expenses, net		(408,462)	(2,247,954)
Finance costs	5	(1,646,388)	(1,998,037)
Share of profits and losses of:			
Joint ventures		(10,081)	16,565
Associates		<u>6,312,542</u>	<u>4,958,399</u>
PROFIT BEFORE TAX	6	11,633,687	6,653,257
Income tax	7	<u>(1,115,056)</u>	<u>(1,006,794)</u>
PROFIT FOR THE YEAR		<u>10,518,631</u>	<u>5,646,463</u>
ATTRIBUTABLE TO:			
Shareholders of the Company		9,918,640	5,286,888
Non-controlling interests		<u>599,991</u>	<u>359,575</u>
		<u>10,518,631</u>	<u>5,646,463</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic and diluted		<u>HK\$7.86</u>	<u>HK\$4.19</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	<u>10,518,631</u>	<u>5,646,463</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	2,285,461	4,315,091
Share of other comprehensive income of associates	<u>1,156,033</u>	<u>1,961,382</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>3,441,494</u>	<u>6,276,473</u>
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Defined benefit plans:		
Actuarial loss, net	(104,403)	(32,704)
Income tax effect	<u>20,901</u>	<u>13,059</u>
	<u>(83,502)</u>	<u>(19,645)</u>
Equity investments at fair value through other comprehensive income:		
Changes in fair value	(453,369)	(175,614)
Income tax effect	<u>119,554</u>	<u>132,218</u>
	<u>(333,815)</u>	<u>(43,396)</u>
Share of other comprehensive loss of associates	<u>(94,718)</u>	<u>(69,994)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(512,035)</u>	<u>(133,035)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>2,929,459</u>	<u>6,143,438</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>13,448,090</u>	<u>11,789,901</u>
ATTRIBUTABLE TO:		
Shareholders of the Company	12,554,632	10,676,811
Non-controlling interests	<u>893,458</u>	<u>1,113,090</u>
	<u>13,448,090</u>	<u>11,789,901</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		60,634,700	55,910,968
Investment properties		1,213,849	1,189,696
Right-of-use assets		2,470,636	2,136,712
Goodwill		16,253,581	16,762,006
Operating concessions		5,297,244	4,248,848
Other intangible assets		3,183,885	3,394,102
Investments in joint ventures		333,274	392,516
Investments in associates		66,452,026	60,982,149
Equity investments at fair value			
through other comprehensive income		2,802,836	3,233,117
Financial asset at fair value through profit or loss		2,523,115	2,400,086
Receivables under service concession arrangements	<i>10</i>	3,365,226	2,966,895
Receivables under a finance lease		556,361	702,343
Prepayments, other receivables and other assets		2,823,303	1,889,176
Deferred tax assets		2,102,515	1,799,088
		<hr/>	<hr/>
Total non-current assets		170,012,551	158,007,702
Current assets:			
Inventories		6,218,945	5,143,960
Receivables under service concession arrangements	<i>10</i>	121,046	110,388
Receivables under a finance lease		98,516	98,535
Trade receivables	<i>11</i>	6,659,686	6,770,865
Prepayments, other receivables and other assets		5,837,534	4,743,928
Other tax recoverables		599,016	531,641
Financial assets at fair value through profit or loss		–	238,095
Restricted cash and pledged deposits		35,958	36,879
Cash and cash equivalents		33,238,799	29,122,428
		<hr/>	<hr/>
Total current assets		52,809,500	46,796,719
		<hr/>	<hr/>
TOTAL ASSETS		222,822,051	204,804,421

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		30,401,883	30,401,883
Reserves		65,575,827	54,495,223
		95,977,710	84,897,106
Non-controlling interests		13,089,259	12,528,616
TOTAL EQUITY		109,066,969	97,425,722
Non-current liabilities:			
Bank and other borrowings		27,797,718	21,770,556
Guaranteed bonds and notes		17,854,936	26,861,083
Lease liabilities		592,163	608,805
Defined benefit plans		2,857,692	2,591,259
Provision for onerous contracts and major overhauls		375,908	410,290
Other non-current liabilities		1,974,292	1,954,380
Deferred tax liabilities		2,497,220	2,654,242
Total non-current liabilities		53,949,929	56,850,615
Current liabilities:			
Trade and bills payables	<i>12</i>	4,326,135	4,700,433
Other payables, accruals and contract liabilities		27,070,190	24,321,243
Provision for onerous contracts and major overhauls		50,093	53,723
Income tax payables		1,249,468	958,514
Other tax payables		390,504	367,672
Bank and other borrowings		9,179,370	15,398,065
Guaranteed bonds and notes		17,173,276	4,611,320
Lease liabilities		366,117	117,114
Total current liabilities		59,805,153	50,528,084
TOTAL LIABILITIES		113,755,082	107,378,699
TOTAL EQUITY AND LIABILITIES		222,822,051	204,804,421

Notes:

1.1 BASIS OF PRESENTATION

Despite that the Group had net current liabilities of approximately HK\$7.0 billion and capital commitments of approximately HK\$19.9 billion 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 which takes into account, inter alia, the historical operating performance of the Group and the following: (a) a subsidiary of the Group issued US\$500 million guaranteed green notes in January 2022; (b) the Company received term sheets from banks regarding new term loan facilities of US\$800 million and EUR800 million in total in March 2022; (c) listed investments of the Group could be realised immediately for funds to enable the Group to meet its liabilities as and when they fall due; and (d) the Company is considering to raise funds through issuance of corporate bonds in 2022. 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

This announcement has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results for the year ended 31 December 2021 does not constitute the Company’s statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2020, is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The consolidated financial statements for the year ended 31 December 2021 have yet to be reported on by the Company’s auditor and will be delivered to the Registrar of Companies in due course. The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2020. The auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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</i> (early adopted)

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

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

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and Euro Interbank Offered Rate (“EURIBOR”) and United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 December 2021. The Group expects that HIBOR and EURIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based and EURIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (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 amendments on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. The amendments did not have a significant impact on the financial position and performance of the Group.

2. REVENUE AND 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. Particulars of the Group's reportable operating segments are summarised as follows:

- (a) the piped gas operation segment engages in the distribution and sale of piped natural gas, the trading of liquefied natural gas, the provision of natural gas transmission, the surveying and plotting of underground construction projects, and the installation of gas pipelines and related equipment and the provision of repairs and maintenance services;
- (b) the brewery operation segment produces, distributes and sells brewery products;
- (c) the water and environmental operation segment engages in the construction of sewage and water treatment plants and other infrastructural facilities, the provision of construction services for comprehensive renovation projects, sewage treatment, water treatment and distribution, and the provision of consultancy services and the licensing of technical know-how that is related to sewage treatment in the PRC and certain overseas countries;
- (d) the solid waste treatment segment comprises the provision of waste incineration plant construction and waste treatment services, and the sale of electricity, heat and steam generated from waste incineration in Germany and the PRC; and
- (e) the corporate and others segment comprises the provision of consultation services, property investment and corporate income and expense items.

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 the profit for the year of each reportable operating segment, which is measured consistently with the Group's profit for the year.

Segment assets and liabilities of each of the reportable operating segments are separately managed by each of the individual operating segments.

Year ended 31 December 2021

	Piped gas operation <i>HK\$'000</i>	Brewery operation <i>HK\$'000</i>	Water and environmental operations <i>HK\$'000</i>	Solid waste treatment operation <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	58,094,041	12,841,809	-	9,499,601	-	-	80,435,451
Cost of sales	(52,462,793)	(8,542,920)	-	(7,148,003)	-	-	(68,153,716)
Gross profit	<u>5,631,248</u>	<u>4,298,889</u>	<u>-</u>	<u>2,351,598</u>	<u>-</u>	<u>-</u>	<u>12,281,735</u>
Profit from operating activities	3,139,365	582,826	-	1,703,731	1,551,692	-	6,977,614
Finance costs	(195,014)	(25,784)	-	(199,640)	(1,225,950)	-	(1,646,388)
Share of profits and losses of:							
Joint ventures	(10,081)	-	-	-	-	-	(10,081)
Associates	<u>4,583,069</u>	<u>25,989</u>	<u>1,720,336</u>	<u>(16,852)</u>	<u>-</u>	<u>-</u>	<u>6,312,542</u>
Profit before tax	7,517,339	583,031	1,720,336	1,487,239	325,742	-	11,633,687
Income tax	(500,631)	(183,375)	-	(404,021)	(27,029)	-	(1,115,056)
Profit for the year	<u>7,016,708</u>	<u>399,656</u>	<u>1,720,336</u>	<u>1,083,218</u>	<u>298,713</u>	<u>-</u>	<u>10,518,631</u>
Segment profit attributable to shareholders of the Company	<u>6,988,507</u>	<u>84,094</u>	<u>1,720,336</u>	<u>826,990</u>	<u>298,713</u>	<u>-</u>	<u>9,918,640</u>
Segment assets	<u>136,642,493</u>	<u>24,758,035</u>	<u>16,778,181</u>	<u>39,115,751</u>	<u>13,798,613</u>	<u>(8,271,022)</u>	<u>222,822,051</u>
Segment liabilities	<u>42,736,887</u>	<u>9,116,403</u>	<u>-</u>	<u>20,848,896</u>	<u>49,323,918</u>	<u>(8,271,022)</u>	<u>113,755,082</u>

Year ended 31 December 2020

	Piped gas operation <i>HK\$'000</i>	Brewery operation <i>HK\$'000</i>	Water and environmental operations <i>HK\$'000</i>	Solid waste treatment operation <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	48,550,430	11,046,394	–	8,810,619	–	–	68,407,443
Cost of sales	<u>(43,852,391)</u>	<u>(7,155,053)</u>	<u>–</u>	<u>(6,535,102)</u>	<u>–</u>	<u>–</u>	<u>(57,542,546)</u>
Gross profit	<u>4,698,039</u>	<u>3,891,341</u>	<u>–</u>	<u>2,275,517</u>	<u>–</u>	<u>–</u>	<u>10,864,897</u>
Profit from operating activities	2,804,268	356,482	–	462,912	52,668	–	3,676,330
Finance costs	(358,992)	(23,158)	–	(210,707)	(1,405,180)	–	(1,998,037)
Share of profits and losses of:							
Joint ventures	16,565	–	–	–	–	–	16,565
Associates	<u>3,195,791</u>	<u>16,411</u>	<u>1,720,659</u>	<u>25,538</u>	<u>–</u>	<u>–</u>	<u>4,958,399</u>
Profit/(loss) before tax	5,657,632	349,735	1,720,659	277,743	(1,352,512)	–	6,653,257
Income tax	<u>(438,836)</u>	<u>(190,106)</u>	<u>–</u>	<u>(352,904)</u>	<u>(24,948)</u>	<u>–</u>	<u>(1,006,794)</u>
Profit/(loss) for the year	<u>5,218,796</u>	<u>159,629</u>	<u>1,720,659</u>	<u>(75,161)</u>	<u>(1,377,460)</u>	<u>–</u>	<u>5,646,463</u>
Segment profit/(loss) attributable to shareholders of the Company	<u>5,260,233</u>	<u>(31,133)</u>	<u>1,720,659</u>	<u>(285,413)</u>	<u>(1,377,458)</u>	<u>–</u>	<u>5,286,888</u>
Segment assets	<u>122,118,783</u>	<u>22,978,662</u>	<u>15,836,203</u>	<u>38,284,776</u>	<u>13,442,424</u>	<u>(7,856,427)</u>	<u>204,804,421</u>
Segment liabilities	<u>38,747,877</u>	<u>7,899,876</u>	<u>–</u>	<u>19,544,802</u>	<u>49,042,571</u>	<u>(7,856,427)</u>	<u>107,378,699</u>

Geographical information

Revenue from external customers

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland China	71,260,504	62,523,815
Germany	6,036,825	5,663,628
Elsewhere	3,138,122	220,000
	<u>80,435,451</u>	<u>68,407,443</u>

The revenue information above is based on the locations of the customers.

Information about major customers

During each of the years ended 31 December 2021 and 2020, none of the Group's individual customers contributed to 10% or more of the Group's revenue.

3. GAIN ON DEEMED DISPOSAL OF PARTIAL INTERESTS IN ASSOCIATES, NET

During the year ended 31 December 2021, the Group's equity interest in Beijing Enterprises Water Group Limited ("BE Water") was diluted from 41.13% to 40.66% upon the exercise of 114,226,000 share options by certain option holders of BE Water, resulting in a total loss on deemed disposal of partial interests in an associate of HK\$76,744,000 (2020: Nil) recognised by the Group in profit or loss which was included in "Corporate and others" segment in the operating segment information set out in note 2.

During the year ended 31 December 2021, the Group's equity interest in China Gas Holdings Limited ("China Gas") was diluted from 23.74% to 22.08% upon placing of 392,000,000 new shares by China Gas under a top-up placing arrangement, resulting in a gain on deemed disposal of partial interests in an associate of HK\$1,704,126,000 (2020: Nil) recognised by the Group in profit or loss which was included in "Corporate and others" segment in the operating segment information set out in note 2.

4. OTHER INCOME AND GAINS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	676,942	605,049
Finance income on the net investment in a finance lease	53,293	59,526
Rental income	52,925	58,928
Government grants*	246,144	173,529
Transfer of assets from customers	64,313	58,851
Dividend income of equity investments at fair value through other comprehensive income	81,154	67,913
Investment income of a financial asset at fair value through profit or loss	154,549	154,128
Foreign exchange differences, net	–	43,848
Others	726,601	589,564
	<u>2,055,921</u>	<u>1,811,336</u>

* *Government grants represented government subsidies and turnover tax refunds in respect of the Group's operations in Mainland China. Turnover tax includes value-added tax, city construction tax and education surcharge. The government grants are unconditional, except for certain grants that must be utilised for business development of the Company's subsidiaries.*

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank loans and other loans	660,288	919,875
Interest on guaranteed bonds and notes	955,779	1,048,095
Interest on lease liabilities	46,047	28,993
	<hr/>	<hr/>
Total interest expenses	1,662,114	1,996,963
Increase in discounted amounts of provision for major overhauls arising from the passage of time	518	1,074
	<hr/>	<hr/>
Total finance costs	1,662,632	1,998,037
Less: Interest capitalised in construction in progress	(16,244)	–
	<hr/>	<hr/>
	1,646,388	1,998,037
	<hr/> <hr/>	<hr/> <hr/>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	60,692,397	50,712,727
Cost of services provided	7,079,027	6,507,244
Depreciation of items of property, plant and equipment	4,454,313	3,816,942
Depreciation of right-of-use assets	344,184	169,381
Amortisation of operating concessions	212,658	155,903
Amortisation of other intangible assets	249,484	337,566
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX

An analysis of the Group's income tax is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Hong Kong	12,110	11,475
Current – Mainland China		
Charge for the year	719,584	556,742
Underprovision in prior years	39,572	36,255
Current – Germany		
Charge for the year	436,443	407,151
Overprovision in prior years	(12,751)	(33,696)
Current – Others	44,759	40,768
Deferred	<u>(124,661)</u>	<u>(11,901)</u>
Total tax expense for the year	<u><u>1,115,056</u></u>	<u><u>1,006,794</u></u>

8. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim – HK\$0.40 (2020: HK\$0.40) per ordinary share	504,821	504,821
Proposed final – HK\$0.85 (2020: HK\$0.74) per ordinary share	<u>1,072,745</u>	<u>933,919</u>
	<u><u>1,577,566</u></u>	<u><u>1,438,740</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.

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company of HK\$9,918,640,000 (2020: HK\$5,286,888,000), and the weighted average number of ordinary shares of 1,262,053,268 (2020: 1,262,053,268) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for each of the years ended 31 December 2021 and 2020 for a dilution as the Company had no potentially dilutive ordinary shares in issue during these years.

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivables under service concession arrangements represented the Group's unconditional right to receive cash or another financial asset for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of public services under service concession arrangements. They were all unbilled as at 31 December 2021 and 2020.

11. TRADE RECEIVABLES

The various group companies have different credit policies, depending on the requirements of their markets and the businesses in which they operate. Ageing analysis of trade receivables is prepared and closely monitored in order to minimise any credit risk associated with the receivables. The Group does not hold any collateral or other credit enhancement over its trade receivables.

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 one year	3,877,465	3,721,305
One to two years	52,286	176,892
Two to three years	18,103	56,807
Over three years	<u>12,600</u>	<u>13,066</u>
	3,960,454	3,968,070
Unbilled*	<u>2,699,232</u>	<u>2,802,795</u>
	<u><u>6,659,686</u></u>	<u><u>6,770,865</u></u>

* *The unbilled balance was attributable to (i) the sale of natural gas near the year end date and such sale will be billed in the next meter reading date; and (ii) entitlements to renewable energy tariff subsidies from the sale of electricity generated from waste incineration.*

12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills 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>
Billed:		
Within one year	3,462,533	3,176,207
One to two years	155,691	137,301
Two to three years	8,808	10,611
Over three years	<u>20,697</u>	<u>13,402</u>
	3,647,729	3,337,521
Unbilled*	<u>678,406</u>	<u>1,362,912</u>
	<u><u>4,326,135</u></u>	<u><u>4,700,433</u></u>

* *The unbilled balance was attributable to (i) purchase of natural gas near the year end which was billed subsequently in early January 2022; (ii) accrued extra purchase cost which will be billed when the price is agreed by the Group with the supplier; and (iii) accrued construction costs for solid waste incineration plants and ecological construction services which have not been billed by the suppliers.*

13. EVENTS AFTER THE REPORTING PERIOD

PJSC Verkhnechonskneftegaz (“VCNG”), a material associate owned as to 20% by the Group, is engaged in oil, gas and gas condensate fields exploration, production and sale in Russia.

As widely reported in the media, in late February and March 2022, certain countries and multilateral organisations announced new packages of sanctions against the public debt of the Russia, Russia’s central bank, a number of Russian banks and certain Russian-government related entities and institutions, as well as personal sanctions against a number of individual as well as certain other restrictions, including the US’s ban on importing Russian oil to the US. The growing geopolitical tensions and the recent developments in Ukraine since late February may have a negative impact on the Russian economy, including difficulties in obtaining international funding, restriction of getting access to the US dollar and the euro markets by Russian organisations, as well as significant devaluation of the ruble against the US dollar and the euro, and high inflation. In March 2022, new temporary restrictive economic measures were introduced in Russia, which include among others a prohibition to issue loans by residents to non-residents in foreign currency, deposit foreign currency to own bank accounts by residents in foreign currency, limitations on dividends and other payments on securities to foreign investors.

As VCNG is a subsidiary of PJSC Rosneft Oil Company and conducts its oil business in Russia, the above events may have a negative impact on its operations, which at the moment cannot be estimated or assessed with any degree of confidence. With respect to the Group, any negative impact on VCNG's operations as a result of the above events may have negative impacts on the amounts of future operating results and net assets of VCNG shared by the Group and the amount of future dividend income from VCNG.

The Group regards these events as non-adjusting events after the reporting period. The Group will continue to pay attention to the development of the Russia-Ukraine situation and market changes, and actively explore measures to maintain capital security under extreme circumstances.

14. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform to the current year's presentation.

DIVIDEND

The Directors of the Company recommended the payment of a final dividend of HK85 cents (2020: HK74 cents) per share for the year ended 31 December 2021 payable to shareholders whose names appear on the register of members of the Company on 15 July 2022. Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be paid on 26 July 2022.

ANNUAL GENERAL MEETING

The 2022 annual general meeting will be held on Friday, 17 June 2022. The notice of the 2022 annual general meeting, which constitutes part of the circular to shareholders, will be sent to all shareholders and will be published on the Company's website (www.behl.com.hk) and The Stock Exchange of Hong Kong Limited's ("Stock Exchange") website (www.hkexnews.hk) in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2022 annual general meeting, and entitlement to the final dividend, the register of members will be closed. Details of such closures are set out below:

- (i) For determining eligibility to attend and vote at the 2022 annual general meeting:

Latest time to lodge transfer documents for registration	4:30 pm on Monday, 13 June 2022
Closure of register of members	Tuesday, 14 June 2022 to Friday, 17 June 2022 (both dates inclusive)
Annual General Meeting	Friday, 17 June 2022

(ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents

for registration 4:30 pm on Monday, 11 July 2022

Closure of register of members Tuesday, 12 July 2022 to
Friday, 15 July 2022
(both dates inclusive)

Record date Friday, 15 July 2022

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2022 annual general meeting, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

EMPLOYEES

As at 31 December 2021, the Group had approximately 37,000 employees. The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and package are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE CODE

Save as disclosed below, the directors believe that the Company complied with the code provisions of the "Corporate Governance Code" (the "Code Provisions") as set out in Appendix 14 to the Listing Rules (version up to 31 December 2021) for the year ended 31 December 2021.

During the year, the Company held two full board meetings instead of at least four full board meetings as required under Code Provision A.1.1. The Directors consider it is more efficient to hold board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the Directors.

According to Code Provision A.1.7, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

The Company deviates from Code Provision A.1.7 because during the year, a physical board meeting held to deal with a continuing connected transaction (the “Transaction”) of the Company was not attended by any independent non-executive directors of the Company as they preferred to express their view on the Transaction later when the advice of the independent financial adviser was available. Subsequently, when the advice of the independent financial adviser was available, another physical board meeting was held and attended by all independent non-executive directors of the Company to resolve the Transaction.

Nevertheless, the Company shall review its board meeting arrangement from time to time to ensure the appropriate action is being taken to comply with the requirements under the Code Provisions.

The former Chairman, Mr. Hou Zibo had assumed the positions of Chairman and Chief Executive Officer from 1 September 2017 to 1 February 2021. This arrangement deviates from Code Provision A.2.1 which recommends that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Board considered that the appointment of Mr. Hou Zibo as Chairman and Chief Executive Officer during that time can bring benefits to the Company’s business development and management, and would not impair the balance of power and authority between the Board and the management of the Company. Since 2 February 2021, the positions of Chairman and Chief Executive Officer have been assumed by Executive Director Mr. Li Yongcheng and Executive Director Mr. Xiong Bin, respectively. Since then, the Company has not deviated from Code Provision A.2.1.

Due to other business engagements, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 17 June 2021, which deviates from Code Provision E.1.2. However, the Chairman had arranged other directors to attend the meeting and communicate with shareholders.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted Appendix 10 "Model Code" to the Listing Rules to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirm that they complied with the "Model Code" during the year ended 31 December 2021.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company Mr. Wu Jiesi, Mr. Lam Hoi Ham (the chairman of the Audit Committee) and Dr. Yu Sun Say. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure, risk management system and internal controls system of the Group. The annual results have been reviewed and approved by the Audit Committee of the Company.

SCOPE OF WORK OF THE COMPANY'S AUDITOR 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 auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditor on the preliminary announcement.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (www.behl.com.hk) and the Stock Exchange's website (www.hkexnews.hk). The annual report will be sent to all shareholders and will be published on the websites of the Company and the Stock Exchange in due course.

By order of the Board
Beijing Enterprises Holdings Limited
Li Yongcheng
Chairman

Hong Kong, 31 March 2022

As at the date of this announcement, the board of directors of the Company comprises Mr. Li Yongcheng (Chairman), Mr. Jiang Xinhao (Vice Chairman), Mr. Zhao Xiaodong (Vice Chairman), Mr. Dai Xiaofeng, Mr. Xiong Bin (Chief Executive Officer) and Mr. Tam Chun Fai as executive directors; Mr. Wu Jiesi, Mr. Lam Hoi Ham and Dr. Yu Sun Say as independent non-executive directors.