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(Incorporated in Bermuda with limited liability)

(Stock Code: 371)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND PROPOSED AMENDMENTS TO BYE-LAWS

HIGHLIGHTS

- Profit attributable to shareholders of the Company decreased to HK\$1,374.2 million for the year ended 31 December 2022. The decrease was mainly due to: (1) Loss on deemed disposal of an associate, Shandong Hi-Speed New Energy Group Limited (formerly known as “Beijing Enterprises Clean Energy Group Limited”), amounted to HK\$1,091.0 million which is classified as other operating expenses (last year: Nil). The deemed disposal loss is one-off and non-cash in nature. It does not have any impact on the cash flow of the Group. (2) The Group had already stopped investing in water environmental comprehensive renovation projects. In addition, a number of construction projects and their related businesses could only maintain limited operations during the year. As such, there is a decrease in net profit from construction services for the water environmental renovation.
- The Board believes the profit from core water treatment business of the Group grew steadily by 13% during the year ended 31 December 2022, the cash flow remained stable, the production and operation were normal and smooth, and various risk management and control were in place. The Group has a healthy balance sheet and each of its fundamental elements remained solid. With the rapid recovery of economy in China, the Board surely believes that the operating level of the Group will be further enhanced and developed since year 2023 onwards.
- EBITDA amounted to HK\$8,297.0 million.
- Final dividend of HK8.7 cents per share is proposed for the year ended 31 December 2022. Full-year dividend are HK15.7 cents.

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 2022 and the consolidated statement of financial position of the Group as at 31 December 2022, with comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	3	24,982,372	27,880,147
Cost of sales		<u>(15,144,370)</u>	<u>(17,430,477)</u>
Gross profit		9,838,002	10,449,670
Interest income		1,130,278	1,096,965
Other income and gains, net		1,488,270	1,248,472
Administrative expenses		(3,457,293)	(3,158,430)
Other operating expenses, net		<u>(2,783,350)</u>	<u>(905,568)</u>
PROFIT FROM OPERATING ACTIVITIES	4	6,215,907	8,731,109
Finance costs	5	(3,192,649)	(2,718,745)
Share of profits and losses of:			
Joint ventures		652,031	861,712
Associates		<u>121,754</u>	<u>58,069</u>
PROFIT BEFORE TAX		3,797,043	6,932,145
Income tax expense	6	<u>(1,081,333)</u>	<u>(1,464,224)</u>
PROFIT FOR THE YEAR		<u>2,715,710</u>	<u>5,467,921</u>
ATTRIBUTABLE TO:			
Shareholders of the Company		1,374,151	4,195,940
Holders of perpetual capital instruments		170,841	211,473
Non-controlling interests		<u>1,170,718</u>	<u>1,060,508</u>
		<u>2,715,710</u>	<u>5,467,921</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
– Basic		<u>HK13.18 cents</u>	<u>HK41.42 cents</u>
– Diluted		<u>HK13.16 cents</u>	<u>HK41.17 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PROFIT FOR THE YEAR	2,715,710	5,467,921
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	(6,447,064)	1,386,186
– Release upon disposal of subsidiaries	1,454	(6)
– Release upon deemed disposal of partial interest in an associate	(9,918)	–
	<u>(6,455,528)</u>	<u>1,386,180</u>
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
– Share of other comprehensive income/(loss) of a joint venture	(4,804)	5,357
– Changes in fair value of equity investments designated at fair value through other comprehensive income	(415,213)	(116,039)
	<u>(420,017)</u>	<u>(110,682)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	<u>(6,875,545)</u>	<u>1,275,498</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u><u>(4,159,835)</u></u>	<u><u>6,743,419</u></u>
ATTRIBUTABLE TO:		
Shareholders of the Company	(4,006,389)	5,165,135
Holder of perpetual capital instruments	(39,266)	327,828
Non-controlling interests	(114,180)	1,250,456
	<u><u>(4,159,835)</u></u>	<u><u>6,743,419</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets:			
Property, plant and equipment		8,905,370	5,150,464
Right-of-use assets		953,159	567,414
Investment properties		701,651	872,622
Goodwill		4,212,037	4,213,729
Operating concessions		10,806,143	10,125,374
Other intangible assets		457,331	403,783
Investments in joint ventures		10,610,306	10,961,554
Investments in associates		3,782,687	6,535,839
Equity investments designated at fair value through other comprehensive income		900,874	1,171,428
Financial assets at fair value through profit or loss		–	52,268
Amounts due from contract customers		22,700,825	36,255,486
Receivables under service concession arrangements	<i>9</i>	58,470,512	53,218,131
Trade receivables	<i>10</i>	12,848,693	11,956,063
Prepayments, deposits and other receivables	<i>11</i>	1,574,914	2,138,861
Deferred tax assets		435,374	398,869
Total non-current assets		137,359,876	144,021,885
Current assets:			
Inventories		390,288	239,991
Amounts due from contract customers		4,391,268	3,798,733
Receivables under service concession arrangements	<i>9</i>	6,902,753	5,522,723
Trade receivables	<i>10</i>	11,900,693	8,890,896
Prepayments, deposits and other receivables	<i>11</i>	9,273,417	9,927,307
Restricted cash and pledged deposits		563,552	478,956
Cash and cash equivalents		13,163,864	10,742,695
Total current assets		46,585,835	39,601,301
TOTAL ASSETS		183,945,711	183,623,186

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		1,004,661	1,013,582
Perpetual capital instrument		1,187,358	1,216,904
Reserves		31,687,981	37,798,892
		33,880,000	40,029,378
Perpetual capital instruments		2,824,292	3,034,399
Non-controlling interests		22,759,209	20,484,977
		25,583,501	23,519,376
TOTAL EQUITY		59,463,501	63,548,754
Non-current liabilities:			
Other payables and accruals	<i>12</i>	775,586	807,543
Bank and other borrowings		55,270,466	45,842,406
Corporate bonds		10,817,388	16,851,404
Lease liabilities		220,565	108,268
Provision for major overhauls		415,532	302,166
Deferred income		1,206,712	1,489,354
Deferred tax liabilities		5,034,803	4,973,688
Total non-current liabilities		73,741,052	70,374,829
Current liabilities:			
Trade payables	<i>13</i>	22,638,089	25,071,178
Other payables and accruals	<i>12</i>	10,570,256	9,610,921
Income tax payables		1,432,226	1,580,336
Bank and other borrowings		8,554,871	10,831,453
Corporate bonds		7,452,619	149,632
Notes payable		–	2,438,588
Lease liabilities		93,097	17,495
Total current liabilities		50,741,158	49,699,603
TOTAL LIABILITIES		124,482,210	120,074,432
TOTAL EQUITY AND LIABILITIES		183,945,711	183,623,186

NOTES:

1.1. BASIS OF PRESENTATION

Despite that the Group had net current liabilities of HK\$4.2 billion and capital commitments of approximately HK\$20.0 billion (comprising the Group's capital commitments and the Group's share of joint ventures' own capital commitments) in aggregate as at 31 December 2022, 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 2022 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 2023 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2. OPERATING SEGMENT INFORMATION

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit for the year attributable to shareholders of the Company. The profit for the year attributable to shareholders of the Company is measured consistently with the Group's profit for the year attributable to shareholders of the Company, except interest income on loans to joint ventures, interest income from joint venture partners, loss on deemed disposal of partial interest in an associate, 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 2022

	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>	Urban resources services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	15,958,680	3,089,815	3,393,251	2,540,626	24,982,372
Cost of sales	<u>(9,410,218)</u>	<u>(1,690,106)</u>	<u>(2,020,400)</u>	<u>(2,023,646)</u>	<u>(15,144,370)</u>
Gross profit	<u>6,548,462</u>	<u>1,399,709</u>	<u>1,372,851</u>	<u>516,980</u>	<u>9,838,002</u>
Segment results:					
The Group	6,336,322	1,273,744	876,556	250,041	8,736,663
Share of profits and losses of:					
Joint ventures	477,661	211,119	(15,330)	(843)	672,607
Associates	<u>31,024</u>	<u>5,182</u>	<u>(37,129)</u>	<u>–</u>	<u>(923)</u>
	<u>6,845,007</u>	<u>1,490,045</u>	<u>824,097</u>	<u>249,198</u>	9,408,347
Corporate and other unallocated income and expenses, net					(2,520,756)
Share of profits of joint ventures and associates					102,101
Finance costs					<u>(3,192,649)</u>
Profit before tax					3,797,043
Income tax expense					<u>(1,081,333)</u>
Profit for the year					<u>2,715,710</u>
Profit for the year attributable to shareholders of the Company:					
Operating segments	<u>5,587,698</u>	<u>1,102,619</u>	<u>653,643</u>	<u>48,136</u>	7,392,096
Corporate and other unallocated items					<u>(6,017,945)</u>
					<u>1,374,151</u>

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>7,067,372</u>	<u>1,404,760</u>	<u>1,977,538</u>	<u>10,449,670</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>7,849,289</u>	<u>1,417,504</u>	<u>1,314,936</u>	10,581,729
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>5,467,921</u>
Profit for the year attributable to shareholders of the Company:				
Operating segments	<u>6,161,833</u>	<u>1,008,317</u>	<u>1,151,320</u>	8,321,470
Corporate and other unallocated items				<u>(4,125,530)</u>
				<u>4,195,940</u>

Geographical information

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from external customers:		
Mainland China	23,436,091	26,265,120
Elsewhere	<u>1,546,281</u>	<u>1,615,027</u>
	<u><u>24,982,372</u></u>	<u><u>27,880,147</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 2022, the Group had no transaction with any single external customer which contributed over 10% of the Group's total revenue for the year (2021: Nil).

3. REVENUE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
Sewage and reclaimed water treatment services	9,873,665	8,145,080
Construction services	6,085,015	12,604,632
Water distribution services	3,089,815	3,069,094
Technical and consultancy services and sales of machineries	3,393,251	4,061,341
Urban resources services	<u>2,540,626</u>	<u>–</u>
	<u><u>24,982,372</u></u>	<u><u>27,880,147</u></u>

Imputed interest income under service concession arrangements amounting to HK\$3,531,519,000 (2021: HK\$3,390,411,000) is included in the above revenue.

4. PROFIT FROM OPERATING ACTIVITIES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of sewage and reclaimed water treatment services rendered	4,084,868	3,265,409
Cost of construction services	4,968,465	10,079,786
Cost of water distribution services	1,544,994	1,536,417
Cost of technical and consultancy services rendered and machineries sold	2,020,400	2,083,803
Cost of urban resources services rendered	2,023,646	–
Depreciation of property, plant and equipment	669,370	334,231
Depreciation of right-of-use assets	77,528	44,990
Amortisation of operating concessions*	501,997	465,062
Amortisation of other intangible assets*	58,446	50,805
	<u>3,192,649</u>	<u>2,718,745</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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank and other loans	2,377,196	1,911,963
Interest on corporate bonds	771,177	805,205
Interest on notes payable	125,023	147,787
Interest on lease liabilities	11,685	6,426
Total interest expense	3,285,081	2,871,381
Increase in discounted amounts of provision for major overhauls arising from the passage of time	39,747	33,270
Total finance costs	3,324,828	2,904,651
Less: Interest included in cost of construction services	(132,179)	(185,906)
	<u>3,192,649</u>	<u>2,718,745</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 2022 (2021: 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 environmental protection, energy and water conservation; 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – Hong Kong	8,656	8,636
Current – Mainland China	739,822	776,500
Current – Elsewhere	35,582	31,674
Underprovision in prior years	–	42
Deferred	<u>297,273</u>	<u>647,372</u>
Total tax charge for the year	<u><u>1,081,333</u></u>	<u><u>1,464,224</u></u>

7. DIVIDEND

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim – HK7.0 cents (2021: HK9.0 cents) per ordinary share	708,706	908,982
Proposed final – HK8.7 cents (2021: HK6.7 cents) per ordinary share	<u>874,055</u>	<u>679,100</u>
	<u><u>1,582,761</u></u>	<u><u>1,588,082</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 2022, and the weighted average number of 10,120,832,644 (2021: 10,053,900,041) ordinary shares in issue less the weighted average number of 38,651,088 (2021: 41,392,772) 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to shareholders of the Company	1,374,151	4,195,940
Distribution related to the perpetual capital instrument	<u>(45,428)</u>	<u>(48,563)</u>
Profit used in the basic earnings per share calculation	1,328,723	4,147,377
Effect of dilution on earnings in respect of share options of an associate	<u>(862)</u>	<u>—*</u>
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u><u>1,327,861</u></u>	<u><u>4,147,377</u></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.*

	2022	2021
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	10,082,181,556	10,012,507,269
Effect of dilution on weighted average number of ordinary shares		
– Share options which have dilutive effect	7,416,688	58,751,632
– Share awards which have dilutive effect	34,361	2,016,699
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>10,089,632,605</u>	<u>10,073,275,600</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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Billed:		
Within 3 months	2,370,152	2,248,972
4 to 6 months	2,055,861	1,471,753
7 to 12 months	1,134,759	935,770
Over 1 year	1,341,981	866,228
	6,902,753	5,522,723
Unbilled:		
Non-current portion*	58,470,512	53,218,131
Total	<u>65,373,265</u>	<u>58,740,854</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, urban resources 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% (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Billed:		
Within 3 months	4,731,537	3,621,667
4 to 6 months	1,825,015	1,263,653
7 to 12 months	2,260,847	1,588,437
Over 1 year	3,083,294	2,417,139
Balance with extended credit period	<u>33,729</u>	<u>36,197</u>
	11,934,422	8,927,093
Unbilled*	<u>12,814,964</u>	<u>11,919,866</u>
	24,749,386	20,846,959
Portion classified as current assets	<u>(11,900,693)</u>	<u>(8,890,896)</u>
Non-current portion	<u><u>12,848,693</u></u>	<u><u>11,956,063</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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Prepayments	748,404	560,715
Deposits and other debtors	5,676,277	6,389,348
Advances to subcontractors and suppliers	3,465,091	2,977,699
Due from joint ventures	1,227,971	1,556,305
Due from associates	242,681	859,000
Due from non-controlling equity holders	244,448	248,950
Due from other related parties	270,804	247,455
	<u>11,875,676</u>	<u>12,839,472</u>
Impairment	(1,027,345)	(773,304)
	<u>10,848,331</u>	<u>12,066,168</u>
Portion classified as current assets	(9,273,417)	(9,927,307)
	<u>1,574,914</u>	<u>2,138,861</u>

12. OTHER PAYABLES AND ACCRUALS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accruals	1,352,584	1,277,134
Other liabilities	5,138,846	4,357,137
Contract liabilities	1,482,489	1,477,697
Due to subcontractors	899,682	990,266
Due to joint ventures	1,327,332	1,401,678
Due to associates	70,262	69,768
Due to other related parties	225,826	197,774
Other taxes payables	848,821	647,010
	<u>11,345,842</u>	<u>10,418,464</u>
Portion classified as current liabilities	(10,570,256)	(9,610,921)
	<u>775,586</u>	<u>807,543</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	9,413,357	13,540,292
4 to 6 months	1,665,679	1,493,349
7 months to 1 year	1,609,412	1,262,687
1 to 2 years	5,412,642	3,933,816
2 to 3 years	1,858,937	2,667,833
Over 3 years	2,524,601	2,041,748
Balance with extended credit period	<u>153,461</u>	<u>131,453</u>
	<u>22,638,089</u>	<u>25,071,178</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 2022 amounted to HK\$4,155,323,000 (2021: HK\$10,098,302,000) and HK\$133,204,553,000 (2021: HK\$133,923,583,000), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year attributable to shareholders of the Company decreased by 67% to HK\$1,374.2 million. Revenue decreased by 10% to HK\$24,982.4 million as a result of decrease in revenue contribution from construction services for the water environmental renovation.

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	9,388.3	38%	57%	3,971.0	
– Joint ventures and associates				258.7	
				4,229.7	57%
Overseas					
– Subsidiaries	485.4	2%	20%	54.8	1%
	9,873.7	40%		4,284.5	58%
Water distribution services					
China					
– Subsidiaries	2,576.6	10%	48%	766.5	10%
– Joint ventures				190.5	3%
				957.0	13%
Overseas					
– Subsidiaries	513.2	2%	32%	119.8	2%
– Joint ventures				25.8	–
				145.6	2%
	3,089.8	12%		1,102.6	15%
Subtotal	12,963.5	52%		5,387.1	73%

	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% [§]	1,458.9	6%	16%	207.6	3%	
– Interest income	–	–	–	478.3	6%	
	1,458.9	6%	16%	685.9	9%	
Construction of BOT water projects	4,626.1	18%	18%	617.3	8%	
Subtotal	6,085.0	24%		1,303.2	17%	
3. Technical services and sale of machineries for the water environmental renovation	3,393.3	14%	40%	653.7	9%	
4. Urban resources services[^]	2,540.6	10%	20%	48.1	1%	
Business results	<u>24,982.4</u>	<u>100%</u>		7,392.1	<u>100%</u>	
Others[#]				(6,017.9)		
Total				<u>1,374.2</u>		

[#] Others included head office expense and other cost, net, of HK\$1,623.1 million, loss on deemed disposal of an associate of HK\$1,091.0 million, share of profit of joint ventures and associates of HK\$102.1 million, share award expenses of HK\$42.5 million, finance costs of HK\$3,192.6 million and profit attributable to holders of perpetual capital instruments of HK\$170.8 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\$241.4 million.

[^] Revenue and profit attributable to shareholders of the Company represented the business results from urban resources services for the period from the date of consolidation to 31 December 2022. The profit from this business before consolidation is included in share of profit of associates under “Others”.

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	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 comparison of the Group's financial results for the year ended 31 December 2022 and 2021 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	2022 HK\$'M	2021 HK\$'M	Increase/(Decrease) HK\$'M	%	2022 HK\$'M	2021 HK\$'M	Increase/(Decrease) HK\$'M	%
1. Water treatment services								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	9,388.3	7,674.1	1,714.2	22%	3,971.0	3,317.9	653.1	20%
– Joint ventures and associates					258.7	383.0	(124.3)	(32%)
					4,229.7	3,700.9	528.8	14%
GP ratio	57%	58%		(1%)				
Overseas								
– Subsidiaries	485.4	471.0	14.4	3%	54.8	69.0	(14.2)	(21%)
GP ratio	20%	23%		(3%)				
	9,873.7	8,145.1	1,728.6	21%	4,284.5	3,769.9	514.6	14%
Water distribution services								
China								
– Subsidiaries	2,576.6	2,526.0	50.6	2%	766.5	705.9	60.6	9%
– Joint ventures					190.5	149.2	41.3	28%
					957.0	855.1	101.9	12%
GP ratio	48%	48%		–				
Overseas								
– Subsidiaries	513.2	543.1	(29.9)	(6%)	119.8	127.2	(7.4)	(6%)
– Joint ventures					25.8	26.0	(0.2)	(1%)
					145.6	153.2	(7.6)	(5%)
GP ratio	32%	34%		(2%)				
	3,089.8	3,069.1	20.7	1%	1,102.6	1,008.3	94.3	9%
Subtotal	12,963.5	11,214.2	1,749.3	16%	5,387.1	4,778.2	608.9	13%
2. Construction services for the water environmental renovation								
Construction services for comprehensive renovation projects								
– Projects with completion rate more than 10%	1,458.9	3,071.4	(1,612.5)	(53%)	207.6	749.2	(541.6)	(72%)
– Interest income	–	–	–	–	478.3	450.9	27.4	6%
	1,458.9	3,071.4	(1,612.5)	(53%)	685.9	1,200.1	(514.2)	(43%)
GP ratio	16%	26%		(10%)				
Construction of BOT water projects								
– China	4,626.1	9,533.2	(4,907.1)	(51%)	617.3	1,191.8	(574.5)	(48%)
GP ratio	18%	18%		–				
Subtotal	6,085.0	12,604.6	(6,519.6)	(52%)	1,303.2	2,391.9	(1,088.7)	(46%)
3. Technical services and sale of machineries for the water environmental renovation								
GP ratio	3,393.3	4,061.3	(668.0)	(16%)	653.7	1,151.4	(497.7)	(43%)
	40%	49%		(9%)				
4. Urban resources services	2,540.6	–	2,540.6	–	48.1	–	48.1	–
GP ratio	20%	–		–				
Business results	24,982.4	27,880.1	(2,897.7)	(10%)	7,392.1	8,321.5	(929.4)	(11%)
Others					(6,017.9)	(4,125.6)	(1,892.3)	46%
Total					1,374.2	4,195.9	(2,821.7)	(67%)

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 2022, the Group entered into service concession arrangements and entrustment agreements for a total of 1,447 water plants and town-size sewage treatment facilities including 1,196 sewage treatment plants and town-size sewage treatment facilities, 180 water distribution plants, 70 reclaimed water treatment plants and a seawater desalination plant. Total daily design capacity for new projects secured for the year was 3,414,442 tons including Build-Operate-Transfer (“BOT”) projects of 1,355,000 tons, Transfer-Operate-Transfer (“TOT”) projects of 670,000 tons, Public-Private Partnership (“PPP”) projects of 130,000 tons, Build-Own-Operate (“BOO”) projects of 25,934 tons and entrustment operation projects of 1,233,508 tons.

Due to different reasons such as expiration of entrustment operation projects, the Group exited projects with aggregate daily design capacity of 578,364 tons during the year. As such, the net increase in daily design capacity of the year was 2,836,078 tons and total daily design capacity was 47,722,040 tons. Due to change in project plan, the Group reduce the daily design capacity of 3,434,947 tons for long-term projects which has not yet been invested. As at 31 December 2022, total daily design capacity was 44,287,093 tons.

During the year, the Group entered into 5 service concession arrangement for town-size sewage treatment projects with aggregate daily capacity of 40,620 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	18,517,545	2,193,488	9,708,442	–	30,419,475
Not yet commenced operation/Not yet transferred	<u>5,852,450</u>	<u>2,237,600</u>	<u>3,912,500</u>	–	<u>12,002,550</u>
Subtotal	<u>24,369,995</u>	<u>4,431,088</u>	<u>13,620,942</u>	–	<u>42,422,025</u>
Overseas					
In operation	230,518	267,350	1,067,200	300,000	1,865,068
Not yet commenced operation/Not yet transferred	–	–	–	–	–
Subtotal	<u>230,518</u>	<u>267,350</u>	<u>1,067,200</u>	<u>300,000</u>	<u>1,865,068</u>
Total	<u>24,600,513</u>	<u>4,698,438</u>	<u>14,688,142</u>	<u>300,000</u>	<u>44,287,093</u>
<i>(Number of water plants and town-size sewage treatment facilities)</i>					
China					
In operation	917	41	122	–	1,080
Not yet commenced operation/Not yet transferred	<u>231</u>	<u>24</u>	<u>24</u>	–	<u>279</u>
Subtotal	<u>1,148</u>	<u>65</u>	<u>146</u>	–	<u>1,359</u>
Overseas					
In operation	48	5	34	1	88
Not yet commenced operation/Not yet transferred	–	–	–	–	–
Subtotal	<u>48</u>	<u>5</u>	<u>34</u>	<u>1</u>	<u>88</u>
Total	<u>1,196</u>	<u>70</u>	<u>180</u>	<u>1</u>	<u>1,447</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	331	4,320,555	1,402.0	2,169.3	887.0
– Western China	317	2,617,990	764.0	1,821.8	816.0
– Shandong	53	2,557,000	709.9	1,325.8	644.8
– Eastern China	133	6,045,076	1,597.7	2,040.1	840.5
– Northern China	124	5,170,412	1,220.6	2,031.3	1,041.4
	958	20,711,033	5,694.2	9,388.3	4,229.7
Overseas	53	497,868	108.4	485.4	54.8
Subtotal	1,011	21,208,901	5,802.6	9,873.7	4,284.5
Water distribution services:					
Mainland China	122	9,708,442	2,080.2	2,576.6	957.0
Overseas [§]	35	1,067,200	140.8	513.2	145.6
Subtotal	157	10,775,642	2,221.0	3,089.8	1,102.6
Total	1,168	31,984,543	8,023.6	12,963.5	5,387.1

* *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 2022, the Group had 917 sewage treatment plants and town-size sewage treatment facilities and 41 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 18,517,545 tons (31 December 2021: 16,831,055 tons) and 2,193,488 tons (31 December 2021: 1,689,200 tons), respectively. The average daily processing volume is 15,882,979 tons* and average daily treatment rate is 80%*. The actual average contracted tariff charge of water treatment was approximately RMB1.47 per ton (31 December 2021: RMB1.39 per ton) for water plants. The actual aggregate processing volume for the year was 5,694.2 million tons, of which 5,156.4 million tons was contributed by subsidiaries and 537.8 million tons was contributed by joint ventures and associates. Total revenue for the year was HK\$9,388.3 million. Net profit attributable to shareholders of the Company was HK\$4,229.7 million, of which HK\$3,971.0 million was contributed by subsidiaries and HK\$258.7 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 2022, there were 331 plants and town-size sewage treatment facilities with total daily design capacity of 4,320,555 tons, representing an increase of 179,965 tons or 4% as compared with last year. The actual aggregate processing volume for the year amounted to 1,402.0 million tons. The operating revenue and profit attributable to shareholders of the Company were HK\$2,169.3 million and HK\$887.0 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 2022, there were 317 sewage treatment plants and town-size sewage treatment facilities with total daily design capacity of 2,617,990 tons, representing an increase of 145,740 tons per day or 6% as compared with last year. The actual processing volume for the year was 764.0 million tons. The operating revenue of HK\$1,821.8 million was recorded during the year. Profit attributable to shareholders of the Company amounted to HK\$816.0 million.

Shandong

There were 53 plants and town-size sewage treatment facilities in Shandong region. The total daily design capacity of Shandong region is 2,557,000 tons, representing an increase of 298,000 tons per day or 13% as compared with last year. The actual processing volume for the year was 709.9 million tons contributing operating revenue of HK\$1,325.8 million during the year. Profit attributable to shareholders of the Company was HK\$644.8 million.

Eastern China

There were 133 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 2022, the total daily design capacity of Eastern China had increased by 763,300 tons to 6,045,076 tons or 14% as compared with last year. The actual processing volume for the year amounted to 1,597.7 million tons and operating revenue was HK\$2,040.1 million during the year. Profit attributable to shareholders of the Company was HK\$840.5 million.

Northern China

Currently, the Group has 124 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 803,773 tons to 5,170,412 tons or 18% as compared with last year. The projects achieved actual processing volume of 1,220.6 million tons for the year. The operating revenue was HK\$2,031.3 million during the year. Profit attributable to shareholders of the Company was HK\$1,041.4 million.

2.1.1b Overseas:

As at 31 December 2022, 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 108.4 million tons. Total revenue for the year was HK\$485.4 million. Profit attributable to shareholders of the Company was HK\$54.8 million.

2.1.2 Water distribution services

2.1.2a Mainland China:

As at 31 December 2022, the Group had 122 water distribution plants in operation. Total daily design capacity in operation was 9,708,442 tons (31 December 2021: 9,372,836 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 RMB2.13 per ton (31 December 2021: RMB2.10 per ton). The aggregate actual processing volume is 2,080.2 million tons, of which 1,162.7 million tons was contributed by subsidiaries, which recorded revenue of HK\$2,576.6 million and 917.5 million tons was contributed by joint ventures. Profit attributable to shareholders of the Company was HK\$957.0 million, of which profit of HK\$766.5 million was contributed by subsidiaries and a profit of HK\$190.5 million in aggregate was contributed by joint ventures.

2.1.2b Overseas:

As at 31 December 2022, the Group had 34 water distribution plants and a sea desalination plant which supplies drinking water in Portugal and Australia. Total daily design capacity in operation was 1,067,200 tons. The actual processing volume for the year is 140.8 million tons of which 83.4 million tons was contributed by subsidiaries and 57.4 million tons was contributed by joint ventures. Total revenue for the year was HK\$513.2 million. Profit attributable to shareholders of the Company was HK\$145.6 million.

2.2 Construction services for the water environmental renovation

2.2.1 Construction services for comprehensive renovation projects

The Group had 17 comprehensive renovation projects under construction during the year. The projects mainly located in Chengdu Jianyang and Inner Mongolia. Last year, the Group had 20 comprehensive renovation projects under construction in Sichuan Luzhou, Chengdu Jianyang, Inner Mongolia and Zhejiang Hangzhou.

Revenue from comprehensive renovation projects decreased by HK\$1,612.5 million from last year of HK\$3,071.4 million to HK\$1,458.9 million 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\$478.3 million for this year (31 December 2021: HK\$450.9 million).

Profit attributable to shareholders of the Company for the comprehensive renovation projects decreased by HK\$514.2 million from last year of HK\$1,200.1 million to HK\$685.9 million this year.

The Group had already stopped investing in water environmental comprehensive renovation projects. With the gradual completion of the construction of water environmental renovation projects in hand or entering into the final stage of construction works, thus, there was a decrease year by year in the construction revenue contributed by these projects. In addition, a number of construction projects could only maintain limited operations during the year. As such, there is a decrease in profit attributable to shareholders of the Company from construction services for the water environmental renovation.

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, Guangxi, Hunan, Shanxi and Liaoning provinces. Total revenue for construction of BOT water projects was HK\$4,626.1 million (31 December 2021: HK\$9,533.2 million) and profit attributable to shareholders of the Company was HK\$617.3 million (31 December 2021: HK\$1,191.8 million). During the year, construction works in several construction sites could only maintain limited operation. As such, there was a decrease in revenue and profit attributable to shareholders of the Company 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\$3,393.3 million (31 December 2021: HK\$4,061.3 million), representing 14% of the Group's total revenue. Profit attributable to shareholders of the Company was HK\$653.7 million (31 December 2021: HK\$1,151.4 million). The decrease in revenue and profit attributable to shareholders of the Company was mainly due to the travel restrictions in China during the year which hinder the development of new technical services project.

2.4 Urban resources services

From 30 June 2022 onwards, the Group consolidated the results of Beijing Enterprises Urban Resources Group Limited (“BEURG”). BEURG is principally engaged in environmental hygiene services, hazardous waste treatment business and waste electrical and electronic equipment treatment business. As at 31 December 2022, BEURG had 152 environmental hygiene services projects, 9 hazardous waste treatment projects in operation and 2 revenue-generating waste electrical and electronic equipment treatment projects. From the commencement date of consolidation to 31 December 2022, BEURG’s revenue was HK\$2,540.6 million. The net profit attributable to the Group from the commencement date of consolidation to 31 December 2022 was HK\$48.1 million. From 1 January 2022 to the commencement date of consolidation, the share of profit of BEURG was HK\$43.1 million which was recognized under the share of profit of associates.

3. Financial analysis

3.1 Revenue

During the year, the Group recorded revenue of HK\$24,982.4 million (31 December 2021: HK\$27,880.1 million). The decrease was mainly due to the decrease in revenue from construction services for the water environmental renovation.

3.2 Cost of sales

Cost of sales for the year amounted to HK\$15,144.4 million, compared to last year of HK\$17,430.5 million. The decrease was mainly due to the decrease in cost of construction services rendered of HK\$5,111.3 million. Cost of sales mainly included construction costs of HK\$4,968.5 million and operating costs of water plants of HK\$6,131.9 million. The construction costs mainly consisted of subcontracting charges. The operating costs of water plants, mainly included electricity charges of HK\$1,380.9 million, staff costs of HK\$1,613.8 million and major overhaul charges of HK\$296.7 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 increased from last year of 37% to 39%. Gross margin increased as there is a change in mix of revenue during this year. The proportion of revenue contribution from water treatment services increased as compared with construction services for the water environmental renovation. The gross margin of water treatment services is comparatively higher than the construction services for the water environmental renovation.

Gross margin for sewage and reclaimed water treatment services:

Gross margin for sewage and reclaimed water treatment services in Mainland China was slightly decreased to 57% (last year: 58%) The slight decrease in gross margin was mainly due to increment in cost of raw materials (e.g. chemicals) and electricity charges during this year. Gross margin for sewage and reclaimed water treatment services in Overseas was 20% (last year: 23%). Gross margin in Overseas decreased which was mainly due to increase in electricity charges in Singapore during the year.

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 32% (last year: 34%). Gross margin in Overseas decreased which was mainly due to (1) a flooding in South Australia which affected the water quality and therefore increased the cost of chemical for water treatment; and (2) increase in electricity charges in Portugal during this year.

Gross margin for construction services for comprehensive renovation projects:

Gross margin for construction services for comprehensive renovation projects was 16% (last year: 26%). Gross margin decreased as the major comprehensive renovation projects for this year have a relatively lower average gross margin.

Gross margin for construction of BOT water projects:

Gross margin for construction of BOT water projects was 18% (last year: 18%).

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 40% (last year: 49%). 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.

Gross margin for urban resources services:

Gross margin for urban resources services was 20%.

3.4 Other income and gains, net

The Group recorded other income and gains, net of HK\$1,488.3 million during the year, compared to last year of HK\$1,248.5 million. The amount for this year mainly included sludge treatment income of HK\$145.7 million, pipeline installation income of HK\$307.2 million, gain on bargain purchase of subsidiaries (mainly from consolidation of BEURG) of HK\$186.5 million and government grant and subsidies of HK\$244.3 million.

3.5 Administrative expenses

Administrative expenses for the year increased to HK\$3,457.3 million, compared to last year of HK\$3,158.4 million. The increase was mainly due to the increase in staff related expenses as result of business expansion and consolidation of BEURG during the year.

3.6 Other operating expenses, net

Other operating expenses for the year increased to HK\$2,783.4 million, compared to last year of HK\$905.6 million. The increase was mainly due to (1) loss on deemed disposal of an associate, Shandong Hi-Speed New Energy Group Limited (“SDHS New Energy”) (formerly known as Beijing Enterprises Clean Energy Group Limited”), amounted to HK\$1,091.0 million in current year. On 19 May 2022, SDHS New Energy issued and allotted 48,804,039,247 new shares to Profit Plan Global Investment Limited. Accordingly, the Company’s indirect shareholding percentage in SDHS New Energy was diluted from 31.88% to approximately 18.03%. Under the *Hong Kong Accounting Standard 28 – Investments in Associates and Joint Ventures*, the Group recognised a deemed disposal loss as a result of such dilution; and (2) loss on remeasurement of an associate, BEURG, amounted to HK\$173.0 million before consolidation of BEURG as a subsidiary of the Group. The deemed disposal loss of an associate and loss on remeasurement of an associate are one-off and non-cash in nature. It does not have any impact on the cashflow of the Group.

3.7 Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK\$2,377.2 million (31 December 2021: HK\$1,912.0 million) and interests on corporate bonds and notes payable of HK\$896.2 million (31 December 2021: HK\$953.0 million).

3.8 Share of profits of joint ventures

Share of profits of joint ventures decreased to HK\$652.0 million, compared to last year of HK\$861.7 million. The decrease was mainly due to decrease in share of profits of the joint ventures which engaged in water treatment services and technical services and sale of machineries for the water environmental renovation.

3.9 Share of profits of associates

Share of profits of associates increased to HK\$121.8 million, compared to last year of HK\$58.1 million. The increase was mainly due to increase in share of profits of SDHS New Energy.

3.10 Income tax expense

Income tax expense for the year included the current PRC income tax of HK\$739.8 million. The effective tax rate for the PRC operation was about 18% 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\$297.3 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 RMB2,500 million which were issued in Year 2021.

3.12 Property, plant and equipment

Property, plant and equipment increased by HK\$3,754.9 million which was mainly due to consolidation of BEURG in current year.

3.13 Right-of-use assets

Right-of-use assets increased by HK\$385.7 million which was mainly due to consolidation of BEURG in current year.

3.14 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. Decrease was mainly due to reclassification to property, plant and equipment and depreciation of RMB.

3.15 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\$117,214.7 million (2021: HK\$119,642.0 million) included:

By accounting nature:

	Non-current <i>HK\$'M</i>	2022 Current <i>HK\$'M</i>	Total <i>HK\$'M</i>	Non-current <i>HK\$'M</i>	2021 Current <i>HK\$'M</i>	Total <i>HK\$'M</i>
(i) Amounts due from contract customers	22,700.8	4,391.2	27,092.0	36,255.5	3,798.7	40,054.2
(ii) Receivables under service concession arrangements	58,470.5	6,902.8	65,373.3	53,218.1	5,522.7	58,740.8
(iii) Trade receivables	12,848.7	11,900.7	24,749.4	11,956.1	8,890.9	20,847.0
Total	94,020.0	23,194.7	117,214.7	101,429.7	18,212.3	119,642.0

- (i) Amounts due from contract customers of HK\$27,092.0 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\$12,962.2 million (non-current portion decreased by HK\$13,554.7 million and current portion increased by HK\$592.5 million), which was mainly due to reclassification to receivables under service concession arrangements and trade receivables as a result of operation commencement of certain BOT projects and completion of BT projects respectively;
- (ii) Receivables under service concession arrangements of HK\$65,373.3 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\$6,632.5 million (non-current portion increased by HK\$5,252.4 million and current portion increased by HK\$1,380.1 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\$24,749.4 million mainly arose from the provision of construction services for comprehensive renovation projects, technical and consultancy services and sewage treatment equipment trading. The balance increased by HK\$3,902.4 million (non-current portion increased by HK\$892.6 million and current portion increased by HK\$3,009.8 million) was mainly due to consolidation of BEURG and reclassification from amounts due from contract customers as a result of completion of BT projects.

By business nature:

	2022	2021
	<i>HK\$'M</i>	<i>HK\$'M</i>
Water treatment services by BOT and TOT projects	83,344.4	83,483.8
Construction services of comprehensive renovation projects	28,812.2	31,445.5
Technical and consultancy services and other businesses	2,247.4	4,712.7
Environmental hygiene services and hazardous waste treatment businesses	2,810.7	–
Total	<u>117,214.7</u>	<u>119,642.0</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\$83,344.4 million (31 December 2021: HK\$83,483.8 million). Total receivables for the construction service of comprehensive renovation projects were HK\$28,812.2 million (31 December 2021: HK\$31,445.5 million). Total receivables for technical and consultancy services and other businesses were HK\$2,247.4 million (31 December 2021: HK\$4,712.7 million). Environmental hygiene services and hazardous waste treatment businesses were HK\$2,810.7 million (31 December 2021: Nil).

3.16 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 acquisition of a subsidiary and consolidation of BEURG.

3.17 Investments in joint ventures

Investments in joint ventures decreased by HK\$351.2 million, mainly due to depreciation of RMB and dividend declared by certain joint ventures.

3.18 Investments in associates

Investments in associates decreased by HK\$2,753.2 million, mainly due to depreciation of RMB, deemed disposal of SDHS New Energy and consolidation of BEURG which was classified as an associate previously.

3.19 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables decreased by HK\$1,217.8 million (non-current portion decreased by HK\$563.9 million and current portion decreased by HK\$653.9 million), mainly due to the decrease in amounts due from joint ventures, associates and deposits and other debtors.

3.20 Cash and cash equivalents

Cash and cash equivalents increased by HK\$2,421.2 million which was mainly due to consolidation of BEURG and proceeds from the corporate bonds issued during the year.

3.21 Other payables and accruals

Other payables and accruals increased by HK\$927.4 million. The increase was mainly due to consolidation of BEURG.

3.22 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. 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.

3.23 Perpetual capital instruments

Perpetual capital instruments with principal amount of RMB1,000 million and RMB1,500 million were issued by a wholly-owned subsidiary of the Company on 30 August 2021 and 25 October 2021, respectively. 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.

3.24 Non-controlling interests

Non-controlling interests increased by HK\$2,274.2 million. Increase was mainly due to consolidation of BEURG during the year.

3.25 Bank and other borrowings

Bank and other borrowings increased by HK\$7,151.5 million. Increase in bank and other borrowings was mainly due to consolidation of BEURG and new bank loans utilised to finance for the acquisition and construction of various water projects in the PRC during the year.

3.26 Corporate bonds

Corporate bonds increased by HK\$1,269.0 million mainly due to the net effect of issuance of new corporate bonds of principal amount of RMB2,000 million and the depreciation of RMB during the year.

3.27 Trade payables

The decrease in trade payables by HK\$2,433.1 million was mainly due to decrease in trade payables to subcontractors for construction services of the water environmental renovation projects during the year.

3.28 Deferred Income

Deferred income mainly represents government subsidies received in respect of the Group's construction of sewage treatment and water distribution facilities in the PRC.

3.29 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 2022, the Group's cash and cash equivalents amounted to HK\$13,163.9 million (31 December 2021: HK\$10,742.7 million).

The Group's total borrowings amounted to HK\$82,095.3 million (31 December 2021: HK\$76,113.5 million) comprised bank and other borrowings of HK\$63,825.3 million (31 December 2021: HK\$56,673.9 million), notes payable of nil (31 December 2021: HK\$2,438.6 million) and corporate bonds of HK\$18,270.0 million (31 December 2021: HK\$17,001.0 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 2022, the Group had banking facilities amounting to HK\$65.9 billion, of which HK\$36.0 billion have not been utilised. The banking facilities are of 1 to 20 years term.

The Group's total equity amounted to 59,463.5 million (31 December 2021: HK\$63,548.8 million). Total equity decreased was mainly due to the depreciation of RMB.

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 1.16 as at 31 December 2022 (31 December 2021: 1.03). The increase in the gearing ratio as at 31 December 2022 was mainly due to the increase in bank and other borrowings and the decrease in total equity during the year.

3.30 Capital expenditures

During the year, the Group's total capital expenditures were HK\$7,324.9 million (31 December 2021: HK\$10,709.6 million), of which HK\$1,906.4 million was paid for the acquisition of property, plant and equipment, right-of-use assets and intangible assets; HK\$4,683.7 million represented the construction and acquisition of water plants; and HK\$734.8 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

The Company always cares about the expectations of its stakeholders, lays stress on the demand of its customers and aims at fulfilling it. The Company is integrating data and digital technologies into its corporate development to construct a corporate data base and management system and also establishing a comprehensive, continuous, sustainable and innovative mechanism to build up its corporate technological and core competitive strength so as to edge out through product and service differentiation, incubate new business ventures, and support its transition to asset-light and sustainable development strategies. Internally, it will transform itself into a highly agile and self-rejuvenating organic enterprise. Externally, it will establish a multi-centered ecosystem and a community of water and environmental service providers with a shared future.

Guided by its digitalisation strategy, the Group constantly develops smart water services and upgrades its applications and also improves its operational efficiency by embarking on projects to construct digitalised operation and management systems. In 2022, the Group established a system to evaluate the maturity of its operations, a system to manage information security, as well as a platform to conduct and manage digitalisation research and development projects. A group company, 北京北控悅慧環境科技有限公司, was proudly recognised as a professional, refined, distinctive and innovative (專精特新) “Little Mogul (小巨人)” and a “Professional, Refined, Distinctive and Innovative” small and medium enterprise by the Beijing municipal government.

The Group actively promotes technological innovation and practical applications with an aim of developing new environmental protection business lines. It drives technological and model innovations with a comprehensive innovation appraisal and motivation system. By building up customer-oriented technological project innovation ability and promoting the applications of the results of scientific researches, two technology products, namely “BEAOA” and “BEWG speedgrain (北控速粒)”, were unveiled during the year. Under the guidance of its ecological strategy, the Group makes full use of its leadership position and resources in the industry to proactively encourage cooperation and construct a mutually beneficial, win-win and harmonic industrial ecosystem that fosters mutual cooperation. During the year, Bescient Technologies Co., Ltd. (碧興物聯科技(深圳)股份有限公司) was evaluated and approved by the listing committee of the Science and Technology Innovation Board of the Shanghai Stock Exchange on 20 December 2022. It is an associate incubated by an investment fund, which was jointly established by the Group as one of the promoters and focuses on the energy conservation and environmental protection sectors powered by technological innovation.

The Group cares about the expectations of all stakeholders. Adhering to its “customer-oriented and innovation-driven” operation philosophy, the Group has established a high-quality customer communication system that provides diversified service channels. As to suppliers, it stringently reviewed its supplier selection system in order to strengthen its control over the whole supplier chain based on its collaboration and win-win objectives. Putting emphasis on nurturing talent, it has established an accurate key position identification model based on its business needs, launched a systematic talent grooming programme, and kept perfecting its human resource management system with the aim of cementing the talent pool for its corporate development.

In active response to the nation’s “3060” carbon peak and carbon neutrality strategy, the Group continued to follow an “Eco-oriented Carbon Reduction and Efficiency Improvement (綠色優先、減碳增效)” development concept, step up its investment in the research and development of new low-carbon technologies, perfect its low-carbon operation management measures, explore its full carbon reduction potential, and guide the water service industry through low-emission and low-carbon transformation.

4.2 Future prospect

2023 marks the beginning of the time to fully implement the party’s aspirations stated at the 20th National Congress of the Chinese Communist Party. The party’s report presented at the congress pointed out that the respect for, adaptation to and protection of the nature are intrinsic needs of the nation in building a modern socialist country, and that the concept of “lucid waters and lush mountains are invaluable assets” must be stringently followed and implemented in planning the high-level harmonic and symbiotic development of mankind and the nature. The Group will acquire and manage more large-scale assets, create new business lines with technological and model innovation, improve its operational efficiency, secure high-quality and sustainable development, and strive for its vision of “becoming the world-class provider of reliable and leading water services and environmental services”.

Lastly, I would like to extend my sincere gratitude to all shareholders, customers, staff and partners for their continual and tremendous support for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed 71,974* employees. Total staff cost for the year ended 31 December 2022 was HK\$5,428,673,000# (year ended 31 December 2021: HK\$3,622,166,000). 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. No share option was exercised, lapsed or cancelled during the year ended 31 December 2022. As at 31 December 2022, 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 1.42% of the Company's ordinary shares in issue as at 31 December 2022. On 26 September 2019 and 1 November 2021, the Company had granted 15,374,599 awarded shares and 12,471,409 awarded shares respectively pursuant to the share award scheme adopted on 17 December 2018 (the "Share Award Scheme"). All the awarded shares were vested or lapsed. On 2 December 2022, the Company had granted 21,664,326 awarded shares pursuant to the Share Award Scheme. As at 31 December 2022, the Company had 21,664,326 awarded shares outstanding which represented approximately 0.22% of the Company's ordinary shares in issue.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year ended 31 December 2022, 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 and the corporate bonds of the Group as at 31 December 2022 are secured by:

- (i) mortgages over certain 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;

* *Included 51,367 employees under BEURG as at 31 December 2022*

Excluded total staff cost of BEURG for the six months period ended 30 June 2022 as the date of consolidation of BEURG was 30 June 2022

- (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 certain of the Group's property, plant and equipment and right-of-use assets;
- (v) pledges over the Group's equity interests in certain subsidiaries;
- (vi) pledges over certain of the Group's bank balances; and/or
- (vii) pledges over certain of the Group's trade receivables and amounts due from contract customers.

Save as disclosed above, at 31 December 2022, 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 2022, bank guarantees in favour of employers in lieu of deposits for project bidding and project performance of HK\$2,281,620,000 (31 December 2021: HK\$1,223,872,000) were outstanding and corporate guarantees of HK\$2,593,904,000 (31 December 2021: HK\$3,635,425,000) 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 PPP construction work within one year from the agreement date. During the year ended 31 December 2022, the final arbitral award was issued and there was no material adverse financial impact of the Group.

Save as disclosed above, at 31 December 2022, the Group did not have any significant contingent liabilities.

FINAL DIVIDEND

The Board proposed to pay final dividend of HK8.7 cents per ordinary share for the financial year ended 31 December 2022 (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, 7 June 2023 (the “AGM”), payable to shareholders of the Company whose names appear on the register of members of the Company on Friday, 16 June 2023.

CLOSURES OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Friday, 2 June 2023 to Wednesday, 7 June 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM to be held on Wednesday, 7 June 2023, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 1 June 2023.

For Entitlement to Proposed Final Dividend

The register of members will be closed from Wednesday, 14 June 2023 to Friday, 16 June 2023 (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 branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 13 June 2023. Subject to the approval of shareholders of the Company at the AGM, the Proposed Final Dividend will be paid on or around Friday, 30 June 2023.

CORPORATE GOVERNANCE

During the year ended 31 December 2022, 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 F.2.2 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 during the year under review, the chairman of the Board did not attend the annual general meeting of the Company held on 8 June 2022. 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.

Following the resignation of Mr. Wang Kaijun as an independent non-executive director of the Company (“Mr. Wang”) on 31 August 2022, the number of independent non-executive directors of the Company had fallen below one-third of the Board as required under Rule 3.10A of the Listing Rules. The Company had complied with Rule 3.10A and Rule 3.11 of the Listing Rules within three months from the effective date of Mr. Wang’s resignation upon the effective of appointment of Mr. Dai Xiaohu as an independent non-executive director of the Company on 30 November 2022.

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 2022, 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 2022 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 2022 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 or assurance conclusion has been expressed by the Company’s auditors on the preliminary announcement.

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

The Company repurchased a total of 89,212,000 ordinary shares of the Company on the Stock Exchange for the year ended 31 December 2022 at an aggregate consideration of HK\$162,924,260 (before expense) ("Share Repurchase"). All the repurchased shares were subsequently cancelled by the Company. The Share Repurchase was expected to have a positive effect on the net asset value per Share and create greater Shareholder value. Details of repurchase of such ordinary shares were as follows:

Month/Year	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid (HK\$)
		<i>Highest</i>	<i>Lowest</i>	
		(HK\$)	(HK\$)	
August 2022	722,000	2.02	2.00	1,450,000
September 2022	32,534,000	2.02	1.63	59,819,320
October 2022	50,098,000	1.93	1.66	91,130,280
November 2022	5,838,000	1.93	1.67	10,485,460
December 2022	<u>20,000</u>	1.96	1.96	<u>39,200</u>
Total:	<u><u>89,212,000</u></u>			<u><u>162,924,260</u></u>

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 2022.

PROPOSED AMENDMENTS TO BYE-LAWS

The Board proposes that certain amendments be made to the existing bye-laws of the Company (the “Existing Bye-laws”) to, among other things, (i) bring the bye-laws of the Company in alignment with the core shareholder protection standards set out in Appendix 3 to the Listing Rules and make corresponding changes to the Existing Bye-laws; (ii) provide flexibility to the Company to convene and hold hybrid general meetings and electronic general meetings; (iii) reflect certain updates in relation to the applicable laws of Bermuda and the Listing Rules; and (iv) incorporate certain other consequential and housekeeping amendments (collectively the “Proposed Amendments”). Accordingly, the Board proposes to adopt the new amended and restated bye-laws of the Company (the “Amended Bye-laws”) in substitution for, and to the exclusion of, the Existing Bye-laws.

The Proposed Amendments are subject to the approval of the shareholders of the Company by way of a special resolution at the AGM, and will become effective upon the approval by the shareholders of the Company at the AGM. After the Proposed Amendments come into effect, the full text of the Amended Bye-laws will be published on the websites of the Company and the Stock Exchange.

A circular containing, among other things, details of the Proposed Amendments, together with a notice convening the AGM, will be despatched to the shareholders of the Company in due course.

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 2022 annual report 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
Xiong Bin
Chairman

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises eight executive directors, namely, Mr. Xiong Bin (chairman), Mr. Jiang Xinhao, Mr. Zhou Min (chief executive officer), Mr. Li Haifeng, 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. Chau On Ta Yuen and Mr. Dai Xiaohu.