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(Incorporated in Bermuda with limited liability)

(Stock Code: 371)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

- Profit attributable to shareholders of the Company increased by 60% to RMB1,895.7 million for the year ended 31 December 2023 as compared to RMB1,181.4 million for the last year.
- EBITDA amounted to RMB8,931.3 million, representing an increase of 25% as compared with that of RMB7,158.2 million for the last year.
- Basic and diluted earnings per share for the year were RMB18.24 cents and RMB18.21 cents respectively.
- Final dividend of HK8.7 cents per share is proposed for the year ended 31 December 2023. 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 2023 and the consolidated statement of financial position of the Group as at 31 December 2023, with comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000 (restated)
REVENUE	3	24,519,374	21,484,840
Cost of sales		(15,518,621)	(13,024,158)
Gross profit		9,000,753	8,460,682
Interest income		878,085	972,039
Other income and gains, net		974,944	1,279,912
Administrative expenses		(3,317,384)	(2,973,272)
Other operating expenses, net		(892,134)	(2,393,681)
PROFIT FROM OPERATING ACTIVITIES	4	6,644,264	5,345,680
Finance costs	5	(3,260,857)	(2,745,678)
Share of profits and losses of:			
Joint ventures		561,184	560,747
Associates		83,848	104,708
PROFIT BEFORE TAX		4,028,439	3,265,457
Income tax expense	6	(964,112)	(930,286)
PROFIT FOR THE YEAR		3,064,327	2,335,171
ATTRIBUTABLE TO:			
Shareholders of the Company		1,895,681	1,181,430
Holders of perpetual capital instruments		92,656	92,650
Non-controlling interests		1,075,990	1,061,091
		3,064,327	2,335,171
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
– Basic		RMB18.24 cents	RMB11.33 cents
– Diluted		RMB18.21 cents	RMB11.31 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	RMB'000	RMB'000 (restated)
PROFIT FOR THE YEAR	3,064,327	2,335,171
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	<u>(1,142,737)</u>	<u>(2,670,829)</u>
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
– Exchange fluctuation reserve:		
– Translation of the Company	193,937	681,218
– Share of other comprehensive income/(loss) of a joint venture	7,677	(4,130)
– Changes in fair value of equity investments designated at fair value through other comprehensive income	<u>(50,928)</u>	<u>(357,083)</u>
	<u>150,686</u>	<u>320,005</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	<u>(992,051)</u>	<u>(2,350,824)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>2,072,276</u>	<u>(15,653)</u>
ATTRIBUTABLE TO:		
Shareholders of the Company	927,899	(1,132,087)
Holders of perpetual capital instruments	92,656	92,650
Non-controlling interests	<u>1,051,721</u>	<u>1,023,784</u>
	<u>2,072,276</u>	<u>(15,653)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

		As at 31 December 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i> (restated)	As at 1 January 2022 <i>RMB'000</i> (restated)
ASSETS				
Non-current assets:				
Property, plant and equipment		8,360,005	7,836,726	4,223,381
Right-of-use assets		814,364	838,780	465,280
Investment properties		462,193	617,453	715,550
Goodwill		3,617,399	3,581,350	3,455,258
Operating concessions		10,498,688	9,509,406	8,302,807
Other intangible assets		426,354	402,452	331,102
Investments in joint ventures		10,212,105	9,337,069	8,988,474
Investments in associates		3,314,331	3,328,765	5,359,388
Equity investments designated at fair value through other comprehensive income		740,593	792,769	960,571
Financial assets at fair value through profit or loss		10,105	–	42,860
Amounts due from contract customers		22,465,190	19,976,725	29,729,499
Receivables under service concession arrangements	<i>9</i>	51,069,854	51,454,050	43,638,867
Trade receivables	<i>10</i>	11,531,631	11,306,850	9,803,972
Prepayments, deposits and other receivables	<i>11</i>	1,197,291	1,385,924	1,753,865
Deferred tax assets		388,254	387,791	332,044
Total non-current assets		125,108,357	120,756,110	118,102,918
Current assets:				
Inventories		355,319	343,453	196,793
Amounts due from contract customers		3,828,172	3,864,316	3,114,961
Receivables under service concession arrangements	<i>9</i>	7,967,191	6,853,459	4,528,633
Trade receivables	<i>10</i>	9,800,179	9,693,573	7,290,535
Prepayments, deposits and other receivables	<i>11</i>	7,985,547	8,160,606	8,140,391
Restricted cash and pledged deposits		233,267	495,926	392,744
Cash and cash equivalents		10,215,161	11,584,201	8,809,010
Total current assets		40,384,836	40,995,534	32,473,067
TOTAL ASSETS		165,493,193	161,751,644	150,575,985

		As at 31 December 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i> (restated)	As at 1 January 2022 <i>RMB'000</i> (restated)
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Issued capital		834,250	834,250	842,375
Perpetual capital instrument		2,991,002	997,361	997,361
Reserves		27,557,155	28,014,812	30,989,327
		31,382,407	29,846,423	32,829,063
Perpetual capital instruments		2,485,377	2,485,377	2,485,377
Non-controlling interests		20,265,691	19,875,500	16,797,681
		22,751,068	22,360,877	19,283,058
TOTAL EQUITY		54,133,475	52,207,300	52,112,121
Non-current liabilities:				
Other payables and accruals	12	691,828	682,516	662,185
Bank and other borrowings		49,907,792	48,638,010	37,590,773
Corporate bonds		11,970,977	9,519,301	13,818,151
Lease liabilities		174,294	194,097	88,780
Provision for major overhauls		524,374	365,668	247,776
Deferred income		914,014	1,061,907	1,221,270
Deferred tax liabilities		4,677,768	4,430,626	4,078,425
Total non-current liabilities		68,861,047	64,892,125	57,707,360
Current liabilities:				
Trade payables	13	20,716,853	19,921,518	20,558,366
Other payables and accruals	12	8,056,499	9,301,826	7,883,786
Income tax payables		1,294,636	1,260,359	1,295,875
Bank and other borrowings		10,366,940	7,528,287	8,881,791
Corporate bonds		1,998,952	6,558,304	122,698
Notes payables		–	–	1,999,642
Lease liabilities		64,791	81,925	14,346
Total current liabilities		42,498,671	44,652,219	40,756,504
TOTAL LIABILITIES		111,359,718	109,544,344	98,463,864
TOTAL EQUITY AND LIABILITIES		165,493,193	161,751,644	150,575,985

NOTES:

1.1 BASIS OF PRESENTATION

Despite that the Group had net current liabilities of RMB2.0 billion and capital commitments of approximately RMB18.1 billion (comprising the Group's capital commitments and the Group's share of joint ventures' own capital commitments) in aggregate as at 31 December 2023, 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 2023 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 2024 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") and the disclosure requirements of the Hong Kong Companies 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 Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Change of presentation currency

The Company's presentation currency for its consolidated financial statements has been changed from Hong Kong dollars ("HK\$") to RMB from 1 January 2023. Taking into account that most of the Group's transactions, assets and liabilities are denominated and settled in RMB, the change of presentation currency will enable the shareholders and potential investors of the Company to have a more accurate picture of the Group's financial performance. The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative amounts in the consolidated financial statements are presented as if RMB had always been the presentation currency of the consolidated financial statements. The Group has also presented the consolidated statement of financial position as at 31 December 2021 without related notes.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. 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 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 3 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The quantitative impact on the financial statements is summarised below.

Impact on the consolidated statements of financial position:

	As at	Increase	
	31 December	As at	As at
	2023	31 December	1 January
	RMB'000	2022	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Deferred tax assets (<i>Note</i>)	4,898	4,662	4,972
Total non-current assets	4,898	4,662	4,972
Total assets	4,898	4,662	4,972
	4,898	4,662	4,972
Net assets	4,898	4,662	4,972
Equity			
Retained profits (included in reserves)	4,898	4,662	4,972
Equity attributable to shareholder of the Company	4,898	4,662	4,972
Holders of perpetual capital instruments	–	–	–
Non-controlling interests	–	–	–
Total equity	4,898	4,662	4,972

Note: The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Impact on the consolidated statements of profit or loss:

	Increase/(decrease)	
	For the year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Income tax expense	(236)	340
Profit for the year	<u>236</u>	<u>(340)</u>
Profit for the year attributable to:		
Shareholders of the Company	236	(340)
Holders of perpetual capital instruments	–	–
Non-controlling interests	<u>–</u>	<u>–</u>
Total comprehensive income for the year	<u>236</u>	<u>(310)</u>
Total comprehensive income for the year attributable to:		
Shareholders of the Company	236	(310)
Holders of perpetual capital instruments	–	–
Non-controlling interests	<u>–</u>	<u>–</u>

The adoption of amendments to HKAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted.

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 and an associate, loss on deemed disposal of partial interest in an associate, gain on bargain purchase of subsidiaries, loss on disposal of subsidiaries and operating concessions, 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 2023

	Sewage and reclaimed water treatment and construction services <i>RMB'000</i>	Water distribution services <i>RMB'000</i>	Technical and consultancy services and sale of machineries <i>RMB'000</i>	Urban resources services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (<i>note 3</i>)	14,023,872	2,978,747	2,459,142	5,057,613	24,519,374
Cost of sales	<u>(8,363,649)</u>	<u>(1,730,151)</u>	<u>(1,390,030)</u>	<u>(4,034,791)</u>	<u>(15,518,621)</u>
Gross profit	<u>5,660,223</u>	<u>1,248,596</u>	<u>1,069,112</u>	<u>1,022,822</u>	<u>9,000,753</u>
Segment results:					
The Group	5,524,926	1,114,256	663,528	538,922	7,841,632
Share of profits and losses of:					
Joint ventures	390,344	179,937	(9,336)	441	561,386
Associates	<u>12,043</u>	<u>(109)</u>	<u>3,411</u>	<u>–</u>	<u>15,345</u>
	<u>5,927,313</u>	<u>1,294,084</u>	<u>657,603</u>	<u>539,363</u>	8,418,363
Corporate and other unallocated income and expenses, net					(1,197,368)
Share of profits of joint ventures and associates					68,301
Finance costs					<u>(3,260,857)</u>
Profit before tax					4,028,439
Income tax expense					<u>(964,112)</u>
Profit for the year					<u>3,064,327</u>
Profit for the year attributable to shareholders of the Company:					
Operating segments	<u>4,869,326</u>	<u>985,812</u>	<u>515,925</u>	<u>116,705</u>	6,487,768
Corporate and other unallocated items					<u>(4,592,087)</u>
					<u>1,895,681</u>

Year ended 31 December 2022

	Sewage and reclaimed water treatment and construction services <i>RMB'000</i> (restated)	Water distribution services <i>RMB'000</i> (restated)	Technical and consultancy services and sale of machineries <i>RMB'000</i> (restated)	Urban resources services <i>RMB'000</i> (restated)	Total <i>RMB'000</i> (restated)
Segment revenue (note 3)	13,724,465	2,657,241	2,918,196	2,184,938	21,484,840
Cost of sales	<u>(8,092,787)</u>	<u>(1,453,491)</u>	<u>(1,737,544)</u>	<u>(1,740,336)</u>	<u>(13,024,158)</u>
Gross profit	<u>5,631,678</u>	<u>1,203,750</u>	<u>1,180,652</u>	<u>444,602</u>	<u>8,460,682</u>
Segment results:					
The Group	5,449,237	1,095,420	753,838	215,035	7,513,530
Share of profits and losses of:					
Joint ventures	410,788	181,562	(13,184)	(725)	578,441
Associates	<u>26,681</u>	<u>4,457</u>	<u>(31,931)</u>	<u>–</u>	<u>(793)</u>
	<u>5,886,706</u>	<u>1,281,439</u>	<u>708,723</u>	<u>214,310</u>	8,091,178
Corporate and other unallocated income and expenses, net					(2,167,850)
Share of profits of joint ventures and associates					87,807
Finance costs					<u>(2,745,678)</u>
Profit before tax					3,265,457
Income tax expense					<u>(930,286)</u>
Profit for the year					<u>2,335,171</u>
Profit for the year attributable to shareholders of the Company:					
Operating segments	<u>4,805,420</u>	<u>948,252</u>	<u>562,133</u>	<u>41,397</u>	6,357,202
Corporate and other unallocated items					<u>(5,175,772)</u>
					<u>1,181,430</u>

Geographical information

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Revenue from external customers:		
Mainland China	23,159,277	20,155,038
Elsewhere	<u>1,360,097</u>	<u>1,329,802</u>
	<u>24,519,374</u>	<u>21,484,840</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 2023, the Group had no transaction with any single external customer which contributed over 10% of the Group's total revenue for the year (2022: Nil).

3. REVENUE

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Revenue from contracts with customers		
Sewage and reclaimed water treatment services	8,643,409	8,491,352
Construction services	5,380,463	5,233,113
Water distribution services	2,978,747	2,657,241
Technical and consultancy services and sales of machineries	2,459,142	2,918,196
Urban services	4,343,559	1,798,466
Hazardous waste treatment services and sale of recycling and reuse products	<u>714,054</u>	<u>386,472</u>
	<u>24,519,374</u>	<u>21,484,840</u>

Imputed interest income under service concession arrangements amounting to RMB3,023,301,000 (2022: RMB3,037,106,000) is included in the above revenue.

4. PROFIT FROM OPERATING ACTIVITIES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Cost of sewage and reclaimed water treatment services rendered	3,640,887	3,512,986
Cost of construction services	4,320,675	4,272,880
Cost of water distribution services	1,529,349	1,328,695
Cost of technical and consultancy services rendered and machineries sold	1,390,030	1,737,544
Cost of urban services	3,326,969	1,379,684
Cost of hazardous waste treatment services and sale of recycling and reuse products	605,970	337,930
Depreciation of property, plant and equipment	806,542	575,658
Depreciation of right-of-use assets	79,404	66,674
Amortisation of operating concessions*	704,741	454,439
Amortisation of other intangible assets*	51,344	50,264
	<u>3,375,048</u>	<u>2,825,170</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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Interest on bank and other loans	2,813,854	2,044,389
Interest on corporate bonds	550,653	663,212
Interest on notes payable	–	107,520
Interest on lease liabilities	10,541	10,049
	<u>3,375,048</u>	<u>2,825,170</u>
Total interest expense	3,375,048	2,825,170
Increase in discounted amounts of provision for major overhauls arising from the passage of time	37,732	34,182
	<u>3,412,780</u>	<u>2,859,352</u>
Total finance costs	3,412,780	2,859,352
Less: Interest included in cost of construction services	(151,923)	(113,674)
	<u>3,260,857</u>	<u>2,745,678</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 2023 (2022: 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.

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
Current – Hong Kong	7,040	7,444
Current – Mainland China	624,582	636,247
Current – Elsewhere	62,019	30,600
Deferred	<u>270,471</u>	<u>255,995</u>
Total tax charge for the year	<u>964,112</u>	<u>930,286</u>

7. DIVIDEND

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
Interim – HK7.0 cents (2022: HK7.0 cents) per ordinary share	632,936	609,487
Proposed final – HK8.7 cents (2022: HK8.7 cents) per ordinary share	<u>786,650</u>	<u>786,650</u>
	<u>1,419,586</u>	<u>1,396,137</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 2023, and the weighted average number of 10,046,609,871 (2022: 10,120,832,644) ordinary shares in issue less the weighted average number of 37,791,710 (2022: 38,651,088) 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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
Earnings		
Profit for the year attributable to shareholders of the Company	1,895,681	1,181,430
Distribution related to the perpetual capital instrument	<u>(70,284)</u>	<u>(39,068)</u>
Profit used in the basic earnings per share calculation	1,825,397	1,142,362
Effect of dilution on earnings in respect of share options of an associate	<u>(598)</u>	<u>(741)</u>
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	<u>1,824,799</u>	<u>1,141,621</u>

2023

2022

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	10,008,818,161	10,082,181,556
Effect of dilution on weighted average number of ordinary shares		
– Share options which have dilutive effect	–*	7,416,688
– Share awards which have dilutive effect	12,279,855	<u>34,361</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u>10,021,098,016</u>	<u>10,089,632,605</u>

* *Because the diluted earnings per share amount is increased when taking the effect of dilution on earnings in respect of share options into account for the year ended 31 December 2023, the effect of dilution on earnings in respect of share options had an anti-dilutive effect and was ignored in the calculation of diluted earnings per share.*

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:

	2023 RMB'000	2022 RMB'000 (restated)
Billed:		
Within 3 months	2,638,151	2,864,770
4 to 6 months	2,346,299	1,809,158
7 to 12 months	1,357,422	998,588
Over 1 year	1,625,319	<u>1,180,943</u>
	7,967,191	6,853,459
Unbilled:		
Non-current portion*	51,069,854	<u>51,454,050</u>
Total	<u>59,037,045</u>	<u>58,307,509</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% (2022: 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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
		(restated)
Billed:		
Within 3 months	4,045,725	3,384,716
4 to 6 months	1,068,346	1,606,013
7 to 12 months	1,552,285	1,989,545
Over 1 year	3,133,823	2,713,299
Balance with extended credit period	29,682	29,682
	9,829,861	9,723,255
Unbilled*	11,501,949	11,277,168
	21,331,810	21,000,423
Portion classified as current assets	(9,800,179)	(9,693,573)
Non-current portion	11,531,631	11,306,850

* *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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Prepayments	398,346	658,595
Deposits and other debtors	5,448,111	4,995,124
Advances to subcontractors and suppliers	2,262,504	3,049,280
Due from joint ventures	1,320,569	1,167,928
Due from associates	58,823	126,246
Due from non-controlling equity holders	215,114	215,114
Due from other related parties	214,642	238,307
	<u>9,918,109</u>	<u>10,450,594</u>
Impairment	(735,271)	(904,064)
	<u>9,182,838</u>	<u>9,546,530</u>
Portion classified as current assets	(7,985,547)	(8,160,606)
	<u>1,197,291</u>	<u>1,385,924</u>

12. OTHER PAYABLES AND ACCRUALS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Accruals	1,262,070	1,190,274
Other liabilities	3,497,253	4,522,185
Contract liabilities	1,224,344	1,304,590
Due to subcontractors	723,556	791,720
Due to joint ventures	901,361	1,168,052
Due to associates	143,225	61,831
Due to other related parties	206,592	198,727
Other taxes payables	789,926	746,963
	<u>8,748,327</u>	<u>9,984,342</u>
Portion classified as current liabilities	(8,056,499)	(9,301,826)
	<u>691,828</u>	<u>682,516</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:

	2023 RMB'000	2022 RMB'000 (restated)
Within 3 months	8,353,419	8,283,754
4 to 6 months	1,611,522	1,465,797
7 months to 1 year	1,461,783	1,416,282
1 to 2 years	4,792,421	4,763,125
2 to 3 years	1,978,820	1,635,865
Over 3 years	2,383,857	2,221,664
Balance with extended credit period	135,031	135,031
	20,716,853	19,921,518

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 2023 amounted to RMB2,113,835,000 (2022: RMB3,656,685,000) and RMB122,994,522,000 (2022: RMB117,099,425,000), respectively.

15. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to confirm with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2022 has been presented.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year attributable to shareholders of the Company increased by 60% to RMB1,895.7 million. Revenue increased by 14% to RMB24,519.4 million as a result of increase in revenue contribution from water treatment services and consolidation of Beijing Enterprises Urban Resources Group Limited (“BEURG”) since the second half of last year.

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	
	RMB’M	%		RMB’M	%
1. Water treatment services					
Sewage and reclaimed water treatment services					
China					
– Subsidiaries	8,204.6	33%	55%	3,386.4	52%
– Joint ventures and associates				257.3	4%
				3,643.7	56%
Overseas					
– Subsidiaries	438.8	2%	19%	42.6	1%
	8,643.4	35%		3,686.3	57%
Water distribution services					
China					
– Subsidiaries	2,480.1	10%	45%	708.5	11%
– Joint ventures				151.8	2%
				860.3	13%
Overseas					
– Subsidiaries	498.7	2%	29%	97.5	2%
– Joint ventures				28.1	–
				125.6	2%
	2,978.8	12%		985.9	15%
Subtotal	11,622.2	47%		4,672.2	72%

	Revenue		GP ratio		Profit attributable to shareholders of the Company	
	RMB'M	%		%	RMB'M	%
2. Construction services for the water renovation						
Construction services for comprehensive renovation projects						
– Projects with completion rate more than 10% [§]	839.9	3%	26%	213.8	3%	
– Interest income	–	–	–	392.9	6%	
	839.9	3%		606.7	9%	
Construction of BOT water projects	4,540.6	19%	18%	576.3	9%	
Subtotal	5,380.5	22%		1,183.0	18%	
3. Technical services and sale of machineries	2,459.1	10%	43%	515.9	8%	
4. Urban resources services	5,057.6	21%	20%	116.7	2%	
Business results	<u>24,519.4</u>	<u>100%</u>		<u>6,487.8</u>	<u>100%</u>	
Others[#]				(4,592.1)		
Total				<u>1,895.7</u>		

[#] Others included head office expense and other cost, net, of RMB1,284.1 million, share of profit of joint ventures and associates of RMB68.3 million, share award expenses of RMB22.7 million, finance costs of RMB3,260.9 million and profit attributable to holders of perpetual capital instruments of RMB92.7 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 RMB145.7 million.

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

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	RMB'M	%		RMB'M	%
1. Water treatment services					
Sewage and reclaimed water treatment services					
China					
– Subsidiaries	8,073.9	38%	57%	3,415.1	54%
– Joint ventures and associates				222.5	3%
				3,637.6	57%
Overseas					
– Subsidiaries	417.4	2%	20%	47.1	1%
	8,491.3	40%		3,684.7	58%
Water distribution services					
China					
– Subsidiaries	2,215.9	10%	48%	659.2	10%
– Joint ventures				163.8	3%
				823.0	13%
Overseas					
– Subsidiaries	441.4	2%	32%	103.0	2%
– Joint ventures				22.2	–
				125.2	2%
	2,657.3	12%		948.2	15%
Subtotal	11,148.6	52%		4,632.9	73%

	Revenue		GP ratio		Profit attributable to shareholders of the Company	
	RMB'M	%		%	RMB'M	%
2. Construction services for the water renovation						
Construction services for comprehensive renovation projects						
– Projects with completion rate more than 10% [§]	1,254.7	6%	16%	178.5	3%	
– Interest income	–	–	–	411.3	6%	
	1,254.7	6%		589.8	9%	
Construction of BOT water projects	3,978.4	18%	18%	530.9	8%	
Subtotal	5,233.1	24%		1,120.7	17%	
3. Technical services and sale of machineries	2,918.2	14%	40%	562.2	9%	
4. Urban resources services[^]	2,184.9	10%	20%	41.4	1%	
Business results	<u>21,484.8</u>	<u>100%</u>		6,357.2	<u>100%</u>	
Others[#]				(5,175.8)		
Total				<u>1,181.4</u>		

[#] Others included head office expense and other cost, net, of RMB1,450.3 million, loss on deemed disposal of an associate of RMB938.3 million, share of profit of joint ventures and associates of RMB87.8 million, share award expenses of RMB36.6 million, finance costs of RMB2,745.7 million and profit attributable to holders of perpetual capital instruments of RMB92.7 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 RMB207.6 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 comparison of the Group's financial results for the year ended 31 December 2023 and 2022 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	2023 RMB'M	2022 RMB'M	Increase/(Decrease) RMB'M	%	2023 RMB'M	2022 RMB'M	Increase/(Decrease) RMB'M	%
1. Water treatment services								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	8,204.6	8,073.9	130.7	2%	3,386.4	3,415.1	(28.7)	(1%)
– Joint ventures and associates					257.3	222.5	34.8	16%
					3,643.7	3,637.6	6.1	–
GP ratio	55%	57%		(2%)				
Overseas								
– Subsidiaries	438.8	417.4	21.4	5%	42.6	47.1	(4.5)	(10%)
GP ratio	19%	20%		(1%)				
	8,643.4	8,491.3	152.1	2%	3,686.3	3,684.7	1.6	–
Water distribution services								
China								
– Subsidiaries	2,480.1	2,215.9	264.2	12%	708.5	659.2	49.3	7%
– Joint ventures					151.8	163.8	(12.0)	(7%)
					860.3	823.0	37.3	5%
GP ratio	45%	48%		(3%)				
Overseas								
– Subsidiaries	498.7	441.4	57.3	13%	97.5	103.0	(5.5)	(5%)
– Joint ventures					28.1	22.2	5.9	27%
					125.6	125.2	0.4	–
GP ratio	29%	32%		(3%)				
	2,978.8	2,657.3	321.5	12%	985.9	948.2	37.7	4%
Subtotal	11,622.2	11,148.6	473.6	4%	4,672.2	4,632.9	39.3	1%
2. Construction services for the water renovation								
Construction services for comprehensive renovation projects								
– Projects with completion rate more than 10%	839.9	1,254.7	(414.8)	(33%)	213.8	178.5	35.3	20%
– Interest income	–	–	–	–	392.9	411.3	(18.4)	(4%)
	839.9	1,254.7	(414.8)	(33%)	606.7	589.8	16.9	3%
GP ratio	26%	16%		10%				
Construction of BOT water projects								
– China	4,540.6	3,978.4	562.2	14%	576.3	530.9	45.4	9%
GP ratio	18%	18%		–				
Subtotal	5,380.5	5,233.1	147.4	3%	1,183.0	1,120.7	62.3	6%
3. Technical services and sale of machineries	2,459.1	2,918.2	(459.1)	(16%)	515.9	562.2	(46.3)	(8%)
GP ratio	43%	40%		3%				
4. Urban resources services	5,057.6	2,184.9	2,872.7	131%	116.7	41.4	75.3	182%
GP ratio	20%	20%		–				
Business results	<u>24,519.4</u>	<u>21,484.8</u>	3,034.6	14%	<u>6,487.8</u>	<u>6,357.2</u>	<u>130.6</u>	<u>2%</u>
Others					<u>(4,592.1)</u>	<u>(5,175.8)</u>	<u>583.7</u>	<u>(11%)</u>
Total					<u>1,895.7</u>	<u>1,181.4</u>	<u>714.3</u>	<u>60%</u>

2. Business review

The principal businesses of the Group include operations in water treatment business, construction service for the water renovation, technical services and sale of machineries and urban resources services. 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 2023, the Group entered into service concession arrangements and entrustment agreements for a total of 1,455 water plants and town-size sewage treatment facilities including 1,215 sewage treatment plants and town-size sewage treatment facilities, 170 water distribution plants, 69 reclaimed water treatment plants and a seawater desalination plant. Total daily design capacity for new projects secured for the year was 1,548,909 tons including Build-Operate-Transfer (“BOT”) projects of 258,795 tons, Transfer-Operate-Transfer (“TOT”) projects of 153,941 tons, Build-Own-Operate (“BOO”) projects of 62,877 tons, entrustment operation projects of 1,018,296 tons and 55,000 tons through mergers and acquisitions.

Due to different reasons such as expiration of entrustment operation projects, the Group exited projects with aggregate daily design capacity of 1,872,878 tons during the year. As at 31 December 2023, total daily design capacity was 43,963,124 tons.

During the year, the Group entered into a service concession arrangement for town-size sewage treatment projects with aggregate daily capacity of 13,000 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	19,292,466	2,183,800	10,130,237	–	31,606,503
Not yet commenced operation/Not yet transferred	<u>5,333,650</u>	<u>2,019,000</u>	<u>3,137,377</u>	–	<u>10,490,027</u>
Subtotal	<u>24,626,116</u>	<u>4,202,800</u>	<u>13,267,614</u>	–	<u>42,096,530</u>
Overseas					
In operation	236,524	267,350	1,062,720	300,000	1,866,594
Not yet commenced operation/Not yet transferred	–	–	–	–	–
Subtotal	<u>236,524</u>	<u>267,350</u>	<u>1,062,720</u>	<u>300,000</u>	<u>1,866,594</u>
Total	<u>24,862,640</u>	<u>4,470,150</u>	<u>14,330,334</u>	<u>300,000</u>	<u>43,963,124</u>
<i>(Number of water plants and town-size sewage treatment facilities)</i>					
China					
In operation	934	42	124	–	1,100
Not yet commenced operation/Not yet transferred	<u>228</u>	<u>22</u>	<u>15</u>	–	<u>265</u>
Subtotal	<u>1,162</u>	<u>64</u>	<u>139</u>	–	<u>1,365</u>
Overseas					
In operation	53	5	31	1	90
Not yet commenced operation/Not yet transferred	–	–	–	–	–
Subtotal	<u>53</u>	<u>5</u>	<u>31</u>	<u>1</u>	<u>90</u>
Total	<u>1,215</u>	<u>69</u>	<u>170</u>	<u>1</u>	<u>1,455</u>

	Number of plants and town-size sewage treatment facilities	Design capacity (Tons/Day)	Actual processing volume during the year* (Tons (M))	Revenue (RMB'M)	Profit attributable to shareholders of the Company (RMB'M)
Sewage and reclaimed water treatment services:					
Mainland China:					
– Southern China	334	4,545,555	1,419.6	1,827.5	703.5
– Western China	322	2,729,410	755.7	1,541.0	637.9
– Shandong	57	2,717,000	816.4	1,172.2	582.6
– Eastern China	134	5,860,876	1,607.2	1,802.6	690.0
– Northern China	129	5,623,425	1,326.5	1,861.3	1,029.7
	976	21,476,266	5,925.4	8,204.6	3,643.7
Overseas	58	503,874	104.3	438.8	42.6
Subtotal	1,034	21,980,140	6,029.7	8,643.4	3,686.3
Water distribution services:					
Mainland China	124	10,130,237	2,167.8	2,480.1	860.3
Overseas [§]	32	1,362,720	145.6	498.7	125.6
Subtotal	156	11,492,957	2,313.4	2,978.8	985.9
Total	1,190	33,473,097	8,343.1	11,622.2	4,672.2

* *Excluded entrustment operation contracts*

§ *Included a seawater desalination plant*

2.1.1 Sewage and reclaimed water treatment services

2.1.1a Mainland China:

As at 31 December 2023, the Group had 934 sewage treatment plants and town-size sewage treatment facilities and 42 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 19,292,466 tons (31 December 2022: 18,517,545 tons) and 2,183,800 tons (31 December 2022: 2,193,488 tons), respectively. The average daily processing volume is 16,405,750 tons* and average daily treatment rate is 79%*. The actual average contracted tariff charge of water treatment was approximately RMB1.49 per ton (31 December 2022: RMB1.47 per ton) for water plants. The actual aggregate processing volume for the year was 5,925.4 million tons, of which 5,377.4 million tons was contributed by subsidiaries and 548.0 million tons was contributed by joint ventures and associates. Total revenue for the year was RMB8,204.6 million. Net profit attributable to shareholders of the Company was RMB3,643.7 million, of which RMB3,386.4 million was contributed by subsidiaries and RMB257.3 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 2023, there were 334 plants and town-size sewage treatment facilities with total daily design capacity of 4,545,555 tons, representing an increase of 225,000 tons or 5% as compared with last year. The actual aggregate processing volume for the year amounted to 1,419.6 million tons. The operating revenue and profit attributable to shareholders of the Company were RMB1,827.5 million and RMB703.5 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 2023, there were 322 sewage treatment plants and town-size sewage treatment facilities with total daily design capacity of 2,729,410 tons, representing an increase of 111,420 tons per day or 4% as compared with last year. The actual processing volume for the year was 755.7 million tons. The operating revenue of RMB1,541.0 million was recorded during the year. Profit attributable to shareholders of the Company amounted to RMB637.9 million.

Shandong

There were 57 plants and town-size sewage treatment facilities in Shandong region. The total daily design capacity of Shandong region is 2,717,000 tons, representing an increase of 160,000 tons per day or 6% as compared with last year. The actual processing volume for the year was 816.4 million tons contributing operating revenue of RMB1,172.2 million during the year. Profit attributable to shareholders of the Company was RMB582.6 million.

Eastern China

There were 134 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 2023, the total daily design capacity of Eastern China had decreased by 184,200 tons to 5,860,876 tons or 3% as compared with last year. The actual processing volume for the year amounted to 1,607.2 million tons and operating revenue was RMB1,802.6 million during the year. Profit attributable to shareholders of the Company was RMB690.0 million.

Northern China

Currently, the Group has 129 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 453,013 tons to 5,623,425 tons or 9% as compared with last year. The projects achieved actual processing volume of 1,326.5 million tons for the year. The operating revenue was RMB1,861.3 million during the year. Profit attributable to shareholders of the Company was RMB1,029.7 million.

2.1.1b Overseas:

As at 31 December 2023, the Group had 53 sewage treatment plants and 5 reclaimed water plants in Portugal, Singapore, Australia and New Zealand. Total daily design capacity in operation was 503,874 tons. The actual processing volume for the year is 104.3 million tons. Total revenue for the year was RMB438.8 million. Profit attributable to shareholders of the Company was RMB42.6 million.

2.1.2 Water distribution services

2.1.2a Mainland China:

As at 31 December 2023, the Group had 124 water distribution plants in operation. Total daily design capacity in operation was 10,130,237 tons (31 December 2022: 9,708,442 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 RMB2.15 per ton (31 December 2022: RMB2.13 per ton). The aggregate actual processing volume is 2,167.8 million tons, of which 1,234.3 million tons was contributed by subsidiaries, which recorded revenue of RMB2,480.1 million and 933.5 million tons was contributed by joint ventures. Profit attributable to shareholders of the Company was RMB860.3 million, of which profit of RMB708.5 million was contributed by subsidiaries and a profit of RMB151.8 million in aggregate was contributed by joint ventures.

2.1.2b Overseas:

As at 31 December 2023, the Group had 31 water distribution plants and a sea desalination plant which supplies drinking water in Portugal and Australia. Total daily design capacity in operation was 1,362,720 tons. The actual processing volume for the year is 145.6 million tons of which 82.9 million tons was contributed by subsidiaries and 62.7 million tons was contributed by joint ventures. Total revenue for the year was RMB498.7 million. Profit attributable to shareholders of the Company was RMB125.6 million.

2.2 Construction services for the water renovation

2.2.1 Construction services for comprehensive renovation projects

The Group had 15 comprehensive renovation projects under construction during the year. The projects mainly located in Inner Mongolia. Last year, the Group had 17 comprehensive renovation projects under construction in Chengdu Jianyang and Inner Mongolia.

Revenue from comprehensive renovation projects decreased by RMB414.8 million from last year of RMB1,254.7 million to RMB839.9 million this year. The Group had already stopped investing in comprehensive renovation projects. With the gradual completion of the construction of comprehensive renovation projects in hand or entering into the final stage of construction works, thus, there was a decrease in the construction revenue contributed by these projects.

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 comprehensive renovation projects attributable to shareholders of the Company was RMB392.9 million for this year (31 December 2022: RMB411.3 million).

Profit attributable to shareholders of the Company for the comprehensive renovation projects increased by RMB16.9 million from last year of RMB589.8 million to RMB606.7 million this year.

2.2.2 Construction of BOT water projects

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

During the year, water plants under construction were mainly located in Guangdong, Shandong, Guangxi, Hunan, Henan and Yunnan provinces. Total revenue for construction of BOT water projects was RMB4,540.6 million (31 December 2022: RMB3,978.4 million) and profit attributable to shareholders of the Company was RMB576.3 million (31 December 2022: RMB530.9 million). During the year, construction works in all construction sites resumed full operation after the pandemic. As such, there was an increase in revenue and profit attributable to shareholders of the Company during the year.

2.3 Technical services and sales of machineries

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 RMB2,459.1 million (31 December 2022: RMB2,918.2 million), representing 10% of the Group's total revenue. Profit attributable to shareholders of the Company was RMB515.9 million (31 December 2022: RMB562.2 million). The decrease was mainly due to a decline in demand for technical services during the year.

2.4 Urban resources services

BEURG is principally engaged in urban services, hazardous waste treatment services and sale of recycling and reuse products. As at 31 December 2023, BEURG had 186 urban services projects, 11 hazardous waste treatment projects in operation and 2 revenue-generating waste electrical and electronic equipment treatment projects. BEURG's revenue was RMB5,057.6 million, representing 21% of the Group's total revenue, and the profit attributable to the Group was RMB116.7 million.

From 30 June 2022 onwards, the Group consolidated the results of BEURG. From the commencement date of consolidation to 31 December 2022, BEURG's revenue was RMB2,184.9 million. The net profit attributable to the Group from the commencement date of consolidation to 31 December 2022 was RMB41.4 million. From 1 January 2022 to the commencement date of consolidation, the share of profit of BEURG was RMB37.1 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 RMB24,519.4 million (31 December 2022: RMB21,484.8 million). The increase was mainly due to the increase in revenue from water treatment services and consolidation of BEURG since the second half of last year.

3.2 Cost of sales

Cost of sales for the year amounted to RMB15,518.6 million, compared to last year of RMB13,024.2 million. The increase was mainly due to consolidation of BEURG which resulted in increase in cost of sales of RMB2,294.5 million. Cost of sales mainly included construction costs of RMB4,320.7 million and operating costs of water plants of RMB5,773.1 million. The construction costs mainly consisted of subcontracting charges. The operating costs of water plants, mainly included electricity charges of RMB1,333.0 million, staff costs of RMB1,379.4 million and major overhaul charges of RMB293.1 million. 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 decreased from last year of 39% to 37%. Gross margin decreased was mainly due to a change in mix of revenue during this year. The proportion of revenue contribution from water treatment services decreased as a result of consolidation of BEURG in the second half of last year. The gross margin of water treatment services is comparatively higher than the urban resources services.

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 55% (last year: 57%). The slight decrease in gross margin was mainly due to increment in electricity charges and one-off adjustment of water treatment service income of some of the project companies in these two years. Gross margin for sewage and reclaimed water treatment services in Overseas was 19% (last year: 20%). Gross margin in Overseas decreased slightly 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 45% (last year: 48%). The decrease in gross margin was mainly due to increment in electricity charges. Gross margin for water distribution services in Overseas was 29% (last year: 32%). Gross margin in Overseas decreased which was mainly due to (1) an algal bloom 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 South Australia during this year.

Gross margin for construction services for comprehensive renovation projects:

Gross margin for construction services for comprehensive renovation projects was 26% (last year: 16%). Gross margin increased as the proportion of revenue contribution from operations and maintenance service increased compared with the construction services which operation and maintenance service has a comparatively higher 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

Gross margin for the technical services and sale of machineries was 43% (last year: 40%). Gross margin increased was mainly due to the change in mix of revenue during this year. The proportion of revenue contribution from technical services increased as compared with the sale of machineries. The gross margin of technical services is comparatively higher than the sale of machineries.

Gross margin for urban resources services:

Gross margin for urban resources services was 20% (last year: 20%).

3.4 Other income and gains, net

The Group recorded other income and gains, net of RMB974.9 million during the year, compared to last year of RMB1,279.9 million. The amount for this year mainly included sludge treatment income of RMB142.5 million, pipeline installation income of RMB163.5 million, and government grant and subsidies of RMB150.2 million. Other income and gain, net included a gain on bargain purchase of subsidiaries (mainly from consolidation of BEURG) of RMB160.6 million last year. There was no such items during this year.

3.5 Administrative expenses

Administrative expenses for the year increased to RMB3,317.4 million, compared to last year of RMB2,973.3 million. The increase was mainly due to consolidation of BEURG.

3.6 Other operating expenses, net

Other operating expenses for the year decreased to RMB892.1 million, compared to last year of RMB2,393.7 million. The other operating expenses for last year included (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 RMB938.3 million; and (2) loss on remeasurement of an associate, BEURG, amounted to RMB148.8 million. There were no such items during this year.

3.7 Finance costs

Finance costs mainly represented interests on bank and other borrowings of RMB2,813.9 million (31 December 2022: RMB2,044.4 million). The increase was mainly due to an increase in both of the average borrowings balance and average interest rate during the year compared with last year. Interests on corporate bonds and notes payable of RMB550.7 million (31 December 2022: RMB770.7 million).

3.8 Share of profits of associates

Share of profits of associates decreased to RMB83.8 million, compared to last year of RMB104.7 million. The decrease was mainly due to no share of profit of BEURG as an associate after the consolidation of BEURG since the second half of last year.

3.9 Income tax expense

Income tax expense for the year included the current PRC income tax of RMB624.6 million. The effective tax rate for the PRC operation was about 19% which was lower than the PRC standard income tax rate of 25% as some of the subsidiaries enjoyed tax concession benefit. Deferred tax charge for the year was RMB270.5 million.

3.10 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.

3.11 Property, plant and equipment

Property, plant and equipment increased by RMB523.3 million which was mainly due to new addition and reclassification from investment properties during the year.

3.12 Right-of-use assets

Right-of-use assets decreased by RMB24.4 million which was mainly due to depreciation charge incurred during the year.

3.13 Investment properties

Investment properties represented portions of buildings located in Beijing which the Group held to earn rental income during the year. The investment properties were stated at fair value. Decrease was mainly due to reclassification to property, plant and equipment during the year.

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

The Group's total amounts due from contract customers, receivables under service concession arrangements and trade receivables of RMB106,662.2 million (2022: RMB103,149.0 million) included:

By accounting nature:

	Non-current RMB'M	2023 Current RMB'M	Total RMB'M	Non-current RMB'M	2022 Current RMB'M	Total RMB'M
(i) Amounts due from contract customers	22,465.2	3,828.2	26,293.4	19,976.7	3,864.3	23,841.0
(ii) Receivables under service concession arrangements	51,069.8	7,967.2	59,037.0	51,454.0	6,853.5	58,307.5
(iii) Trade receivables	11,531.6	9,800.2	21,331.8	11,306.9	9,693.6	21,000.5
Total	85,066.6	21,959.6	106,662.2	82,737.6	20,411.4	103,149.0

- (i) Amounts due from contract customers of RMB26,293.4 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 increased by RMB2,452.4 million (non-current portion increased by RMB2,488.5 million and current portion decreased by RMB36.1 million), which was mainly due to recognition of construction revenue during the year;

- (ii) Receivables under service concession arrangements of RMB59,037.0 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 RMB729.5 million (non-current portion decreased by RMB384.2 million and current portion increased by RMB1,113.7 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 RMB21,331.8 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 RMB331.3 million (non-current portion increased by RMB224.7 million and current portion increased by RMB106.6 million) was mainly due to increase in trade receivables of BEURG.

By business nature:

	2023	2022
	<i>RMB'M</i>	<i>RMB'M</i>
Water treatment services by BOT and TOT projects	75,350.7	74,122.1
Construction services of comprehensive renovation projects	25,744.0	24,575.7
Technical and consultancy services and other businesses	2,471.5	1,977.8
Urban services and hazardous waste treatment businesses	3,096.0	2,473.4
Total	<u>106,662.2</u>	<u>103,149.0</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 RMB75,350.7 million (31 December 2022: RMB74,122.1 million). Total receivables for the construction service of comprehensive renovation projects were RMB25,744.0 million (31 December 2022: RMB24,575.7 million). Total receivables for technical and consultancy services and other businesses were RMB2,471.5 million (31 December 2022: RMB1,977.8 million). Urban services and hazardous waste treatment businesses were RMB3,096.0 million (31 December 2022: RMB2,473.4 million).

3.15 Operating concessions

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

3.16 Investments in joint ventures

Investments in joint ventures increased by RMB875.0 million, mainly due to share of profits of certain joint ventures and acquisition of joint ventures during the year.

3.17 Investments in associates

Investments in associates decreased by RMB14.4 million, mainly due to share of translation reserve of certain associates during the year.

3.18 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables decreased by RMB363.7 million (non-current portion decreased by RMB188.6 million and current portion decreased by RMB175.1 million), mainly due to the decrease in advances to subcontractors and suppliers during the year.

3.19 Cash and cash equivalents

Cash and cash equivalents decreased by RMB1,369.0 million which was mainly utilised for acquisition and construction of various water projects in the PRC during the year.

3.20 Other payables and accruals

Other payables and accruals decreased by RMB1,236.0 million. The decrease was mainly due to the decrease in other liabilities and amounts due to joint ventures during the year.

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

Perpetual capital instruments were issued by the Company on 12 May 2020, 23 May 2023 and 11 August 2023 respectively. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Company subject to certain conditions. The perpetual capital instruments are classified as equity instruments. The increase was mainly due to issuance of RMB2,000 million perpetual capital instruments during the year.

3.22 Perpetual capital instruments

Perpetual capital instruments 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.

3.23 Non-controlling interests

Non-controlling interests increased by RMB390.2 million. Increase was mainly due to net effects of the share of profits and dividend paid to non-controlling interests during the year.

3.24 Bank and other borrowings

Bank and other borrowings increased by RMB4,108.5 million. Increase in bank and other borrowings was mainly due to new bank loans utilised to repay corporate bonds and finance for the acquisition and construction of various water projects in the PRC during the year.

3.25 Corporate bonds

Corporate bonds decreased by RMB2,107.7 million mainly due to the net effect of issuance of new corporate bonds of principal amount of RMB4,500 million, repayment of corporate bonds with principal amount of RMB3,000 million and USD500 million during the year.

3.26 Trade payables

The increase in trade payables by RMB795.3 million was mainly due to increase in trade payables to subcontractors for certain construction projects during the year.

3.27 Deferred Income

Deferred income mainly represents government subsidies received in respect of the Group's construction of sewage treatment, water distribution facilities and hazardous waste treatment facilities and purchase of certain land.

3.28 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 2023, the Group's cash and cash equivalents amounted to RMB10,215.2 million (31 December 2022: RMB11,584.2 million).

The Group's total borrowings amounted to RMB74,244.7 million (31 December 2022: RMB72,243.9 million) comprised bank and other borrowings of RMB60,274.8 million (31 December 2022: RMB56,166.3 million) and corporate bonds of RMB13,969.9 million (31 December 2022: RMB16,077.6 million). All the corporate bonds bear interest at fixed rates. Over 90% of bank and other borrowings bear interest at floating rates.

As at 31 December 2023, the Group had banking facilities amounting to RMB60.2 billion, of which RMB30.6 billion have not been utilised. The banking facilities are of 1 to 20 years term.

The Group's total equity amounted to RMB54,133.5 million (31 December 2022: RMB52,207.3 million).

The gearing ratio as defined as sum of bank and other borrowings and corporate bonds, net of cash and cash equivalents, divided by the total equity was 1.18 as at 31 December 2023 (31 December 2022: 1.16). The increase in the gearing ratio as at 31 December 2023 was mainly due to the increase in bank and other borrowings during the year.

3.29 Capital expenditures

During the year, the Group's total capital expenditures were RMB6,834.8 million (31 December 2022: RMB6,299.4 million), of which RMB1,396.4 million was paid for the acquisition of property, plant and equipment, right-of-use assets and intangible assets; RMB4,993.7 million represented the construction and acquisition of water plants; and RMB444.7 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 Group embeds the concept of sustainability into its medium- and long-term development strategies, and lays the solid foundations for BEWG's high quality and sustainable development by building up the fundamentals of corporate sustainability in multiple dimensions, such as innovation, data, clients and brands as well as organisational talent sustainability.

In 2023, the Group introduced the concept of “New Water Services for the Future” in collaboration with a topnotch think tank in the industry and established a task force comprising both internal and external experts to explore and study major issues in the development of the industry, which vigorously drove the technological advancement of the Group. Guided by its innovation strategy, the Group anchored the ultimate application of existing technologies and rolled out 28 product series during the year by continuously pushing ahead with its scientific and technological research and development. At the same time, it also collaborated with professional companies to boost the joint development and marketing of its products.

The Group puts a lot of emphasis on enhancing the capacity of its core businesses through digitalisation, achieving effective management of investment opportunities, implementing and delivering one-stop management platforms, and comprehensively promoting digitalised management for the Smart Execution of Drainage (SED) for water treatment plants. The value of data becomes explicit and gradually forms a database for management decision-making with the aim of boosting management efficiency.

The Group always cares about the expectations of all stakeholders. It has upgraded its supplier management structure and system that adheres to “Green Procurement”. It also unified its human resources strategy to focus on key positions, continue optimising its talent management mechanism, enhance the ability of its human resources to create benefit, and help identify and groom talent, especially in support of its transformation and reform process.

4.2 Future prospect

In 2024, BEWG will integrate the “Scientific and Technological Advancement Platform” into its “Platform-based Strategy”, steer its transformation towards an asset-light model with scientific and technological advancements, promote the development of the industry, pursue the national strategy and usher in an era of asset-light operations. The Group has anchored its strategic goals to uphold its operations strategy of “one core, two fundamentals and three focuses”, build strategic self-confidence, maintain its consistent strategic focus, make every effort to drive the Company’s second round of growth, deliver continuous increase in development capacity and competitive strength, and achieve high-quality sustainable growth.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed 76,608 employees. Total staff cost for the year ended 31 December 2023 was RMB5,330,504,000 (year ended 31 December 2022: RMB4,487,697,000[#]). 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. During the year ended as at 31 December 2023, 140,500,000 share options were lapsed. Other than disclosed above, no share option was exercised, lapsed or cancelled. As at 31 December 2023, the Company had 2,000,000 share options outstanding which were granted on 28 March 2014. The total outstanding share options represented approximately 0.02% of the Company’s ordinary shares in issue as at 31 December 2023. On 26 September 2019, 1 November 2021 and 2 December 2022, the Company had granted 15,374,599 awarded shares, 12,471,409 awarded shares and 21,664,326 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 13 July 2023, the Company had granted 13,261,718 awarded shares pursuant to the Share Award Scheme and all the awarded shares were vested during the year ended 31 December 2023.

[#] 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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year ended 31 December 2023, the Group had no significant investments and acquisitions of subsidiaries and affiliated companies.

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings, the corporate bonds and bill facilities of the Group as at 31 December 2023 were 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;
- (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.

Save as disclosed above, at 31 December 2023, the Group did not have any charges on the Group's assets.

FOREIGN EXCHANGE EXPOSURE

The main operating activities of the Group were carried out in PRC with majority of its transactions denominated and settled in RMB. Certain of the subsidiaries of the Group have their assets and liabilities denominated in other currencies including HKD, AUD and EUR. The Group currently does not have a foreign currency hedging policy. However, the Directors will continuously to monitor the related foreign exchange exposure and adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

CONTINGENT LIABILITIES

As at 31 December 2023, bank guarantees in favour of employers in lieu of deposits for project bidding and project performance of RMB1,503,465,000 (31 December 2022: RMB1,612,277,000) were outstanding and corporate guarantees of RMB2,093,744,000 (31 December 2022: RMB2,282,634,000) were given to banks and/or institutional investors in connection with facilities granted to certain associates, joint ventures and bonds issued by joint ventures.

Save as disclosed above, at 31 December 2023, 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 2023 (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, 5 June 2024 (the “AGM”), payable to shareholders of the Company whose names appear on the register of members of the Company on Friday, 14 June 2024.

The Proposed Final Dividend will be payable in cash to each shareholder in HK Dollars (“HKD”) unless an election is made to receive the same in Renminbi (“RMB”). Shareholders will be given the option to elect to receive all (but not part) of the Proposed Final Dividend in RMB at the average benchmark exchange rate of HKD to RMB as published by the People’s Bank of China during the five business days prior to and including the date of the AGM. A dividend currency election form will be despatched to shareholders in June 2024 as soon as practicable after the record date of 14 June 2024 to determine shareholders’ entitlement to the Proposed Final Dividend.

CLOSURES OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024 (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, 5 June 2024, 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, 30 May 2024.

For Entitlement to Proposed Final Dividend

The register of members will be closed from Thursday, 13 June 2024 to Friday, 14 June 2024 (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 Wednesday, 12 June 2024. Subject to the approval of shareholders of the Company at the AGM, the Proposed Final Dividend will be paid on or around Monday, 29 July 2024.

CORPORATE GOVERNANCE

The Company is committed to maintain the quality of corporate governance so as to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. During the year ended 31 December 2023, in the opinion of the Board, the Company complied with all code provisions set out in the Corporate Governance Code as set out in Appendix C1 of the Listing Rules.

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 C3 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 2023, 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. Guo Rui and Mr. Chau On Ta Yuen. 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 2023 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 2023 as set out in the preliminary announcement have been agreed by the Company’s auditors to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Company’s auditors in this respect did not constitute an assurance engagement and consequently no opinion on assurance conclusion has been expressed by the Company’s auditors on the preliminary announcement.

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

Redemption of USD500,000,000 4.95% Bonds Due 2023

During the year ended 31 December 2023, a wholly-owned subsidiary of the Company redeemed on the maturity date all the outstanding principal amount of USD500,000,000 4.95% bonds due 2023 issued by a wholly-owned subsidiary of the Company (“2023 Bonds”) at the redemption amount of USD500,000,000 plus accrued interest which was paid.

Subsequent to the redemption of 2023 Bonds, they were cancelled and delisted from the Stock Exchange.

Repurchases of ordinary shares of BEURG

During the year ended 31 December 2023, BEURG, a subsidiary of the Company repurchased a total of 3,636,000 ordinary shares of BEURG on the Stock Exchange at an aggregate consideration of HK\$1,650,860 (before expense). All the repurchased shares were cancelled by BEURG as at the date of this announcement. Details of repurchases of such ordinary shares were as follows:

Month/Year	Number of ordinary share repurchased	Price per share		Aggregate consideration paid (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
December 2023	<u>3,636,000</u>	0.5	0.425	<u>1,650,860</u>
Total:	<u><u>3,636,000</u></u>			<u><u>1,650,860</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 2023.

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 2023 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, 26 March 2024

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, Ms. Sha Ning, Mr. Zhang Wenjiang, 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. Guo Rui, Mr. Chau On Ta Yuen, Mr. Dai Xiaohu and Ms. Chan Siu Chee Sophia.