



北控水務集團有限公司

BEIJING ENTERPRISES WATER GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 371)



**ANNUAL
REPORT
2023**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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
Mr. Li Li

Non-executive Director

Mr. Wang Dianchang

Independent Non-executive Directors

Mr. Shea Chun Lok Quadrant
Mr. Guo Rui
Mr. Chau On Ta Yuen
Mr. Dai Xiaohu
Ms. Chan Siu Chee Sophia

AUDIT COMMITTEE

Mr. Shea Chun Lok Quadrant (*Chairman*)
Mr. Guo Rui
Mr. Chau On Ta Yuen

NOMINATION COMMITTEE

Mr. Xiong Bin (*Chairman*)
Mr. Guo Rui
Mr. Shea Chun Lok Quadrant

REMUNERATION COMMITTEE

Mr. Guo Rui (*Chairman*)
Mr. Tung Woon Cheung Eric
Mr. Shea Chun Lok Quadrant

SUSTAINABILITY COMMITTEE

Mr. Li Li (*Chairman*)
Mr. Tung Woon Cheung Eric
Mr. Guo Rui

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

STOCK CODE

371

WEBSITE

www.bewg.net

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 6706-07, 67th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2105 0800
Fax: (852) 2796 9972

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

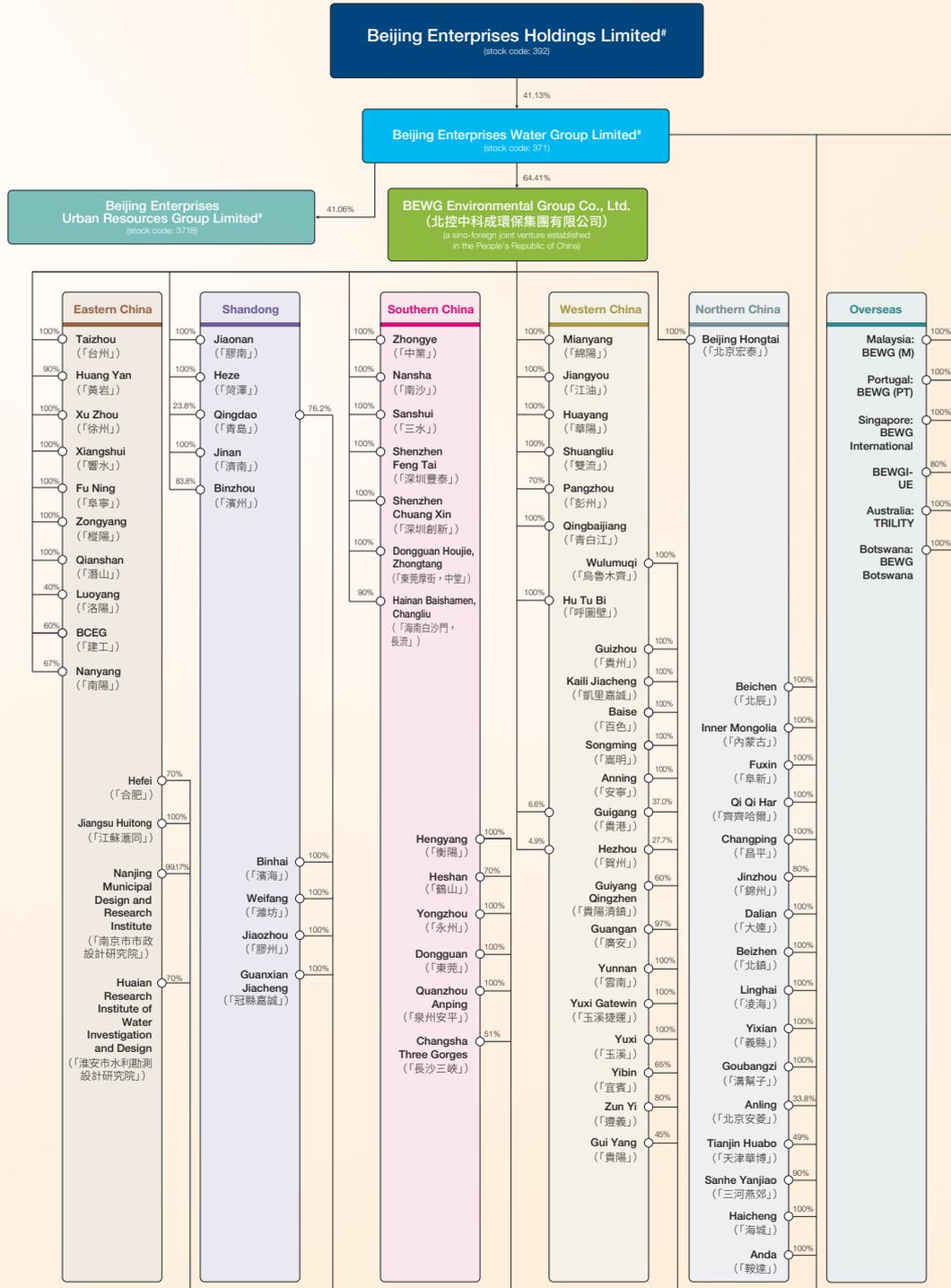
PRINCIPAL BANKERS

In Hong Kong:
Agricultural Bank of China Limited Hong Kong Branch
Bank of China (Hong Kong) Limited
Bank of Communications Co., Limited
DBS Bank Ltd., Hong Kong Branch
Industrial and Commercial Bank of China (Asia) Limited

In Chinese Mainland:
Agricultural Bank of China
Bank of Beijing Co., Limited
Bank of Communications Co., Limited
Bank of China Limited
China Construction Bank Corporation
China Development Bank
Industrial and Commercial Bank of China Limited
Postal Savings Bank of China
The Export-Import Bank of China

GROUP STRUCTURE

31 December 2023



* Listed on the Main Board of The Stock Exchange of Hong Kong Limited

Note: The above group chart only lists out major subsidiaries, associates and joint ventures

CHAIRMAN'S STATEMENT

Dear shareholders,

The year of 2023 marked the beginning of the time to fully implement the aspirations of the Chinese Communist Party (the "CPC") stated at the 20th National Congress of the CPC. It was also a pivotal year of transition and progression in the implementation of the 14th Five-Year Plan. Beijing Enterprises Water Group Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group" or "BEWG") adhered to its operational strategy of "one core, two fundamentals and three focuses", which takes cash flows as the core, operational and organisational improvements as the fundamentals, and customer development, project operation and business transformation as the focuses. It insisted on delivering high-quality development throughout the enterprise and achieving positive free cash flow for the year.

PERFORMANCE REVIEW

The Group achieved new daily design capacity of 1,548,909 tons for the twelve months ended 31 December 2023 and total daily design capacity as at 31 December 2023 was 43,963,124 tons. Revenue for the year was RMB24,519,374,000, which increased by 14.1% year-on-year. Total profit attributable to shareholders of the Company was RMB1,895,681,000, which increased by 60.5% year-on-year. Basic earnings per share for the year amounted to RMB18.24 cents. In recognition of the continuous support of the shareholders to the Company, the board of directors of the Company (the "Board") resolved to distribute a final cash dividend of HK8.7 cents per share to the shareholders.

At the National Eco-system and Environmental Protection Conference (全國生態環境保護大會) held in July 2023, it was pointed out that our country should continue to further the fight against pollution, accelerate the green and low-carbon transformation of its development modes and secure the bottom line of building a beautiful China. Furthermore, the Opinions on the Full Implementation of the Construction of a Beautiful China (《關於全面推進美麗中國建設的意見》) issued by the State Council of the People's Republic of China will also benefit the environmental protection industry in the long run. Adhering firmly to the thought of the central government, BEWG will continue to advance the development of the sewage treatment sector, accurately foster the water supply segment, reduce pollution and carbon emissions, raise standard and efficiency, enhance the management of inefficient operations, improve the quality of its assets and strengthen the fundamentals of its businesses.

The Group has always adhered to its "customer-oriented and innovation-driven" operation philosophy. With years of customer development, brand equity accumulated from the operation of existing projects as well as technological edge in terms of technique and control through scientific and management innovations, it is transitioning into the asset-light model and thereby contributing to the building of a beautiful China. Capitalising on the track record of its existing projects, the Group secured new water service contracts involving a daily water volume of 1,548,909 tons during the year, of which over half were asset-light entrustment operation projects, thereby demonstrating BEWG's success in winning the satisfaction and trust of owner clients, competitive strength in terms of diversified development and unflinching position as the market leader.

CHAIRMAN'S STATEMENT

PERFORMANCE REVIEW *(Continued)*

In 2023, the Group established the water supply business unit in order to capitalise on its strong track record in operating water supply projects, solve underlying historical problems in the development of water services, stimulate the growth of the water supply operation and improve its fundamentals in a steady manner. During the year, it completed water price adjustments for its water plants in Xinhua County and Yongzhou City, Hunan Province, with the aims of further enhancing the rate of return on net assets from its projects and thus increasing shareholder return.

During the year, the Group actively promoted its in-depth and coordinated development with Beijing Enterprises Urban Resources Group Limited (“BEURG”, stock code: 3718) and realised synergies by integrating water and environmental hygiene services. BEURG exploited such synergies based on the exemplary pilot project in Shandong, achieved multiple breakthroughs and reinforced its market strength by winning the bids for 6 new projects, including those in Fenghua District in Ningbo City and Longkou City in Shandong Province. In 2023, 52 new urban service projects with a total contract value of approximately RMB5.4 billion and an estimated annual revenue of approximately RMB1.0 billion were obtained through public tenders, thereby strengthening BEURG’s leading edge in the urban services industry.

Regarding its overseas business, the Group actively responded to the adverse international political and economic environments, coordinated the operations in domestic and overseas markets and achieved growth in both revenue and profit from this core business notwithstanding the market trend. It had successfully tested and accepted the Botswana project while obtaining a sewage treatment engineering, procurement and construction (EPC) project in the Republic of Serbia.

CORPORATE MANAGEMENT AND CONTROL

In 2023, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development and the Ministry of Ecology and Environment jointly issued the Opinions on the Implementation of Measures Promoting the Synergistic Efficiency of Reducing Pollution and Carbon in Wastewater Treatment (《關於推進污水處理減污降碳協同增效的實施意見》) to call for a significant enhancement in the synergistic efficiency of reducing pollution and carbon emissions in the wastewater treatment industry and a sustainable improvement in the capabilities to increase energy efficiency and reduce carbon emissions by 2025. BEWG has already taken actions in advance and calibrated its policies to focus on four aspects, namely low-carbon technologies, low-carbon construction, low-carbon operation and low-carbon office administration with a view to carrying out multi-dimensional and in-depth carbon reduction research and practices, improving delicacy management, cementing its leadership in terms of technological innovation, and contributing to the cause of achieving carbon peak and carbon neutrality.

In 2023, the Group established an integrated digitalised delivery platform to achieve comprehensive and well-planned management and control over the progress, quality and costs of its project so as to enhance management efficiency while laying the foundation for business and financial data integration. The online procurement system was also upgraded to consolidate the operational inventory, contract and financial systems, reduce manual operations in its projects, realise standardised and online operation, and provide the technological means to improve collective procurement efficiency and compliance.

In respect of the transition to the “cloud chain terminal” operational concept, the Group comprehensively promoted the reconstruction and deployment of digitalised management for the Smart Execution of Drainage (SED) of wastewater treatment plants so as to offer digitalised management to water plant operations. It further refined its standardised operation management system, installed standardised operation through the SED platform and empowered and created an efficient operational management model. It also continued to roll out the “1+N” cluster mode to perfect the integrated management system of its water plants and kick off the migration to a regionally integrated management model.

CHAIRMAN'S STATEMENT

CORPORATE MANAGEMENT AND CONTROL *(Continued)*

Adhering to its “customer-oriented and innovation-driven” operation philosophy, the Group focused on strengthening customer relationship management, stepping up marketing activities, drawing up marketing procedures such as Guidance on Five Marketing Methods, progressively building up a three-dimensional customer relationship, and steadily carrying out its marketing reform.

BEWG puts great emphasis on capital management. Iteratively upgrading and reforming its asset management model and operation projects, it supported operational decision-making and supervision over the entire life cycle of its assets by quantifying and analysing the value of the assets. In the face of rising external uncertainties and adversity, the Group took proactive measures to strengthen payment collection and investment management, swap domestic and offshore debts, bring down costs and optimise the business and financial system by devising the first comprehensive capital plan during the year. It has expanded the scope of its liquidity safety barrier to bolster its capital management ability.

SUSTAINABLE DEVELOPMENT

The Group embeds the concept of sustainability into its medium-term 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 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.

CHAIRMAN'S STATEMENT

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.

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.

Xiong Bin
Chairman

26 March 2024

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%

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

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

	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% ⁵	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	24,519.4	100%		6,487.8	100%
Others[#]				(4,592.1)	
Total				1,895.7	

[#] 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.

⁵ Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of RMB145.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

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%

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

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

	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% ⁵	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	21,484.8	100%		6,357.2	100%
Others[#]				(5,175.8)	
Total				1,181.4	

[#] 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.

⁵ 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".

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

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	–
<i>GP ratio</i>	55%	57%		(2%)				
Overseas								
– Subsidiaries	438.8	417.4	21.4	5%	42.6	47.1	(4.5)	(10%)
<i>GP ratio</i>	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%
<i>GP ratio</i>	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	–
<i>GP ratio</i>	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%

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

The comparison of the Group's financial results for the year ended 31 December 2023 and 2022 is set out in details below: *(Continued)*

	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	%
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%)
<i>GP ratio</i>	26%	16%		10%				3%
Construction of BOT water projects								
– China	4,540.6	3,978.4	562.2	14%	576.3	530.9	45.4	9%
<i>GP ratio</i>	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%)
<i>GP ratio</i>	43%	40%		3%				
4. Urban resources services	5,057.6	2,184.9	2,872.7	131%	116.7	41.4	75.3	182%
<i>GP ratio</i>	20%	20%		–				
Business results	24,519.4	21,484.8	3,034.6	14%	6,487.8	6,357.2	130.6	2%
Others					(4,592.1)	(5,175.8)	583.7	(11%)
Total					1,895.7	1,181.4	714.3	60%

MANAGEMENT DISCUSSION AND ANALYSIS

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 Chinese Mainland.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

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	5,333,650	2,019,000	3,137,377	–	10,490,027
Subtotal	24,626,116	4,202,800	13,267,614	–	42,096,530
Overseas					
In operation	236,524	267,350	1,062,720	300,000	1,866,594
Not yet commenced operation/ Not yet transferred	–	–	–	–	–
Subtotal	236,524	267,350	1,062,720	300,000	1,866,594
Total	24,862,640	4,470,150	14,330,334	300,000	43,963,124
<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	228	22	15	–	265
Subtotal	1,162	64	139	–	1,365
Overseas					
In operation	53	5	31	1	90
Not yet commenced operation/ Not yet transferred	–	–	–	–	–
Subtotal	53	5	31	1	90
Total	1,215	69	170	1	1,455

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

	Number of plants and town-size sewage treatment facilities	Design capacity <i>(Tons/Day)</i>	Actual processing volume during the year* <i>(Tons (M))</i>	Revenue <i>(RMB'M)</i>	Profit attributable to shareholders of the Company <i>(RMB'M)</i>
Sewage and reclaimed water treatment services:					
Chinese Mainland:					
– 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:					
Chinese Mainland	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

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.1 Sewage and reclaimed water treatment services

2.1.1a Chinese Mainland:

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 Chinese Mainland. 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 Chinese Mainland 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



MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.1 Sewage and reclaimed water treatment services *(Continued)*

2.1.1a Chinese Mainland: *(Continued)*

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.



MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.1 Sewage and reclaimed water treatment services *(Continued)*

2.1.1a Chinese Mainland: *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.2 Water distribution services

2.1.2a Chinese Mainland:

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.



MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.2 Water distribution services *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.2 Construction services for the water renovation *(Continued)*

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.



MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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 Chinese Mainland 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 Chinese Mainland 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.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.3 Gross profit margin *(Continued)*

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 RMB938.2 million; and (2) loss on remeasurement of an associate, BEURG, amounted to RMB148.7 million. There were no such items during this year.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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:

	2023			2022		
	Non-current RMB'M	Current RMB'M	Total RMB'M	Non-current RMB'M	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

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.14 Amounts due from contract customers, receivables under service concession arrangements and trade receivables *(Continued)*

(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	106,662.2	103,149.0

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).

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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 RMB6,990.0 million (31 December 2022: RMB6,299.4 million), of which RMB1,561.8 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 RMB434.5 million represented the consideration for acquisition of equity interests in equity investments and capital injections in joint ventures and associates.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

[#] 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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CORPORATE GOVERNANCE REPORT

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 shareholders' value.

CORPORATE STRATEGY, BUSINESS MODEL AND CULTURE

The Board has established the Group's purpose, values and strategies and was satisfied that they are aligned with the culture of the Group. Acting with integrity, lead by example, all Directors promote the desired culture to instil and continually reinforce across the Group's values of "acting lawfully, ethically and responsibly".

Guided by the requirements of the national strategy and led by its business strategy to achieve "quality growth, valuable assets, cash profits and capable organisation", the Group continued to improve its core capabilities such as quality delivery and smart operation in order to consolidate its fundamentals.

The Group has always adhered to its "customer-oriented and innovation-driven" operation philosophy. Through the reform of its regional companies, the Group has made solid efforts to carry out localised operation in local markets, built up differentiated competitiveness for regional market.

The Group embeds the concept of sustainability development into its medium-term 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 organizational talent sustainability.

The Group actively promotes a culture of integrity for raising business ethics awareness among employees.

The Group will continuously review and adjust, when necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures that will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

Details of the Group's business performance and financial review for the year 2023 are set out in the "Management Discussion and Analysis" section of this annual report. Disclosures on the Group's corporate culture can be found in the Group's 2023 Sustainability Report which will be available on the website of the Company under the "Sustainability Report" section and website of the Stock Exchange at the same time as the publication of this annual report.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Board Composition

During the year and up to the date of this annual report, the Board comprises the following directors of the Company (“Director(s)”):

Executive Directors (the “EDs”)

Mr. Xiong Bin (*Chairman*)

Mr. Jiang Xinhao

Mr. Zhou Min (*Chief Executive Officer*)

Mr. Li Haifeng

Mr. Ke Jian (*resigned on 6 February 2024*)

Ms. Sha Ning

Mr. Zhang Wenjiang (*appointed on 6 February 2024*)

Mr. Tung Woon Cheung Eric

Mr. Li Li

Non-executive Directors (the “NED”)

Mr. Wang Dianchang

Independent Non-executive Directors (the “INEDs”)

Mr. Shea Chun Lok Quadrant

Mr. Zhang Gaobo (*resigned on 16 June 2023*)

Mr. Guo Rui

Mr. Chau On Ta Yuen

Mr. Dai Xiaohu

Ms. Chan Siu Chee Sophia (*appointed on 15 September 2023*)

One of the INEDs namely, Mr. Shea Chun Lok Quadrant, has the professional and accounting qualifications required by Rules Governing the Listing Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship. The biographical details of the current Directors are set out in the section headed “Directors and Senior Management” in this annual report.

All Directors are appointed with letters of appointment and subject to retirement by rotation and, being eligible, offer themselves for re-election at the annual general meetings in accordance with the amended and restated bye-laws of the Company (“Bye-laws”). Pursuant to Bye-law 99(B) of the Bye-laws, at each annual general meeting, one-third of the Directors (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. Pursuant to Bye-law 91 of the Bye-laws, any Director appointed to fill a casual vacancy or as an addition to the Board is subject to re-election at the first annual general meeting after his or her appointment.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Board Composition *(Continued)*

Following the resignation of Mr. Zhang Gaobo (“Mr. Zhang”) as an INED, a member of the audit committee, a member of the nomination committee and the chairman of the remuneration committee of the Company on 16 June 2023, the Company failed to meet the requirements of (i) the total number of INEDs at least one-third of the Board under Rule 3.10A of the Listing Rules; (ii) the audit committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules; (iii) the remuneration committee comprising a majority of INEDs under Rule 3.25 of the Listing Rules; and (iv) the nomination committee comprising a majority of INEDs under Rule 3.27A of the Listing Rules.

Following the appointments of Ms. Chan Siu Chee Sophia as an INEDs, Mr. Chau On Ta Yuen as a member of the audit committee of the Company, and Mr. Shea Chun Lok Quadrant as a member of each of the nomination committee and the remuneration committee of the Company on 15 September 2023, the Company has fully complied with the requirements of Rules 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules.

In compliance with Rule 3.09D of the Listing Rules which revised and took effect on 31 December 2023, Mr. Zhang Wenjiang, who was appointed as an ED on 6 February 2024 following the resignation of Mr. Ke Jian as an ED, obtained the legal advice referred to in Rule 3.09D prior to his appointment on 5 February 2024, and Mr. Zhang Wenjiang has confirmed that he understood his obligations as a director of the Company.

Role and Function

The function of the Board is to formulate and give direction of the Group’s corporate strategy and business development. The Board has met regularly during the year to approve material contracts, connected transactions, director’s appointment or reappointment, significant policy and to monitor the financial performance of the Group in pursuit of its strategic goals. Day to day operation of the Company is delegated to the chief executive officer and the management of the Company.

Newly appointed Director will receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company arranged trainings for Directors in the form of seminar and provision of training materials. Guidance notes and memorandum are issued to Directors where appropriate, to ensure awareness of best corporate governance practices.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Role and Function *(Continued)*

According to the records maintained by the Company, the Directors who were held office during the year ended 31 December 2023 received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirement of the Corporate Governance Code (the “CG Code”) contained in Appendix C1 of the Listing Rules on continuous professional development during the year ended 31 December 2023.

Name of Director	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Read Materials	Attended Seminars/ Briefing	Read Materials	Attended Seminars/ Briefing
EDs				
Mr. Xiong Bin <i>(Chairman)</i>	✓	✓		
Mr. Jiang Xinhao	✓	✓		
Mr. Zhou Min <i>(Chief Executive officer)</i>	✓	✓		
Mr. Li Haifeng	✓	✓		
Mr. Ke Jian <i>(resigned on 6 February 2024)</i>	✓	✓		
Ms. Sha Ning	✓	✓		
Mr. Tung Woon Cheung Eric	✓	✓	✓	✓
Mr. Li Li	✓	✓		
NED				
Mr. Wang Dianchang	✓	✓		
INEDs				
Mr. Shea Chun Lok Quadrant	✓	✓	✓	✓
Mr. Zhang Gaobo <i>(resigned on 16 June 2023)</i>	–	–	–	–
Mr. Guo Rui	✓	✓		
Mr. Chau On Ta Yuen	✓	✓		
Mr. Dai Xiaohu	✓	✓		
Ms. Chan Siu Chee Sophia <i>(Appointed on 15 September 2023)</i>	✓	✓		

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Board Meeting and General Meeting

The Company held four Board meetings and one general meeting during the financial year ended 31 December 2023. Directors present in those Board meetings were either in person or through electronic means of communication. Attendance records of the Board meetings and general meetings for the year ended 31 December 2023 are set out below:

Name of Director	Number of Board meeting attended/held	Number of general meeting attended/held
EDs		
Mr. Xiong Bin <i>(Chairman)</i>	4/4	1/1
Mr. Jiang Xinhao	4/4	0/1
Mr. Zhou Min <i>(Chief Executive Officer)</i>	4/4	1/1
Mr. Li Haifeng	4/4	0/1
Mr. Ke Jian <i>(resigned on 6 February 2024)</i>	4/4	0/1
Ms. Sha Ning	4/4	0/1
Mr. Tung Woon Cheung Eric	4/4	1/1
Mr. Li Li	4/4	0/1
NED		
Mr. Wang Dianchang	4/4	0/1
INEDs		
Mr. Shea Chun Lok Quadrant	4/4	1/1
Mr. Zhang Gaobo <i>(resigned on 16 June 2023)</i>	0/1	0/1
	<i>(Note 1)</i>	<i>(Note 1)</i>
Mr. Guo Rui	2/4	0/1
Mr. Chau On Ta Yuen	4/4	1/1
Mr. Dai Xiaohu	4/4	0/1
Ms. Chan Siu Chee Sophia <i>(appointed on 15 September 2023)</i>	1/1	N/A
	<i>(Note 2)</i>	<i>(Note 2)</i>

Notes:

- Mr. Zhang Gaobo resigned as an independent non-executive director of the Company on 16 June 2023 without attending the second to fourth board meetings held during the year and the annual general meeting held on 7 June 2023.
- Ms. Chan Siu Chee Sophia was appointed as an independent non-executive director of the Company on 15 September 2023 without attending the first to third board meetings held during the year and the annual general meeting held on 7 June 2023.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Board Meeting and General Meeting *(Continued)*

To supplement the formal Board meetings, the Chairman held regular gatherings with Executive Directors to consider issues in an informal settings.

During the year, the Chairman held one meeting with the INEDs without the Executive Directors present.

BOARD DIVERSITY POLICY

With a view to enhancing the Board's effectiveness and corporate governance, the Board believes that increasing diversity at the Board level is essential to maintaining a competitive edge in the evolving market environment.

The Board adopted a board diversity policy in 2013 which aims to set out the approach to achieve diversity on the Board. The Board endeavours to ensure that it has a balance of skills, experience and diversity of perspectives to the requirements of the business of the Group. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Independent

Under the Board diversity policy, the Board shall include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As of 31 December 2023, five out of fourteen directors were INEDs. The board composition remained a definite number of INEDs who are free from any business or other relationship that may interfere with the independent judgement of the INEDs.

Gender

Under the Board diversity policy, the Board targets to appoint and maintain gender diversity in respect of the Board and targets to refrain from having a single gender in respect of the Board. Ms. Sha Ning was appointed as an executive director of the Company on 3 January 2020 and Ms. Chan Siu Chee was appointed as an INED on 15 September 2023. The Board considers that the gender diversity in respect of the Board taking into account the business model and specific needs of the Company is satisfactory.

Skill and Experience

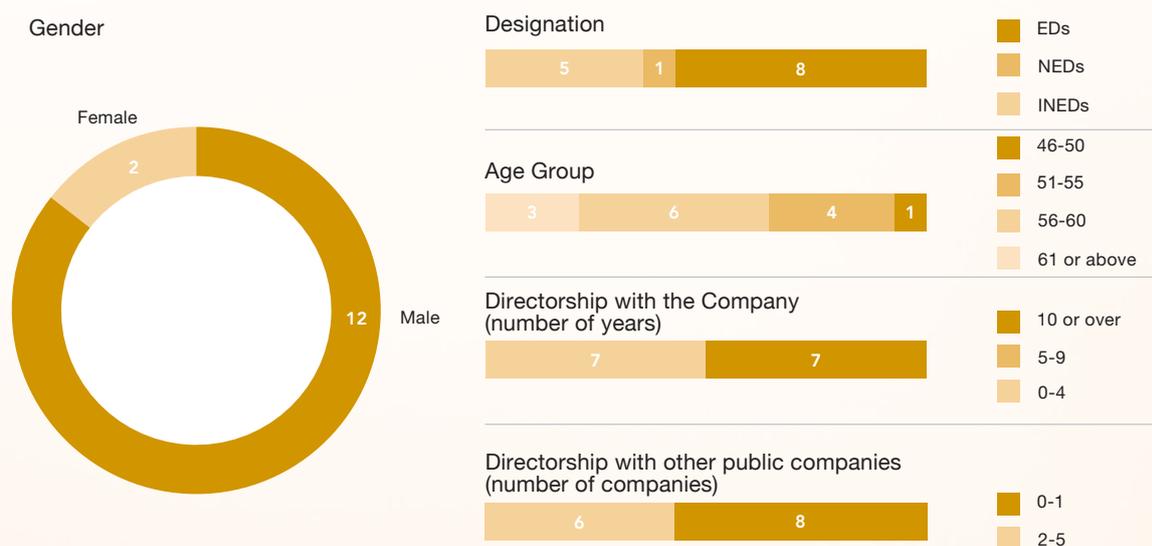
To enhance the Board diversity while maintaining an appropriate balance between continuity of experience and Board refreshment and possessing a balance of skills appropriate for the requirements of the business of the Company. Ms. Chan Siu Chee Sophia was appointed as INED on 15 September 2023. The nomination committee of the Company (the "Nomination Committee") took into consideration of her academic background, extensive experience and her familiarity with the structure and operations of the government of the Hong Kong Special Administrative Region.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY *(Continued)*

Skill and Experience *(Continued)*

As at the date of this annual report, there are fourteen Directors with extensive experience and/or professional backgrounds to formulate and give direction of the Group's corporate strategy and business development. The composition, experience and balance of skills on the Board are regularly reviewed by a core of members with longstanding and deep knowledge of the Group alongside new Directors who bring fresh perspectives and diverse experiences to the Board. The process for the nomination of Directors is led by the Nomination Committee that is set out in the section headed "Nomination Committee" in this corporate governance report. The following chart illustrates how the Company achieves diversity on the Board:



The name of the current Directors and their biographies (including their roles, function, terms of office, skills and experience) are set out in this annual report headed "Directors and Senior Management".

The Board places emphasis on diversity (including gender diversity) across all levels of the Group. The employee gender ratio of the Group as at 31 December 2023 was approximately 55% male to 45% female. The Group when hiring employees considers a number of factors, including but not limited to gender, age, cultural and education background, qualification, ethnicity, professional experience, skills, knowledge and length of service, and the Group will make sure achieving gender diversity across the workforce. The Board considers that the gender diversity in workforce is currently achieved.

BOARD SUCCESSION

Board succession planning is an ongoing process for the Company. There are regular reviews and discussions on succession planning, complemented by an active search when required for people presenting the right skill and diversity mix. The Nomination Committee manages board succession in light of the Board's overall needs, term limits and retirements.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate directors' and officers' liability insurance for its directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its directors and officers to comply with the requirement of the CG Code. During the year, no claim was made against the directors and officers of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the financial year ended 31 December 2023, the positions of the chairman and the chief executive officer of the Company were held separately. The chairman of the Company is Mr. Xiong Bin and the chief executive officer is Mr. Zhou Min. The segregation of duties of the chairman and the chief executive officer ensures a clear distinction in the chairman's responsibility to provide leadership for the Board and the chief executive officer's responsibility to manage the Company's business. Their roles are clearly defined to ensure their respective independence. There is no relationship between the chairman and chief executive officer of the Board in respect of financial, business, family or other material/relevant relationship.

NON-EXECUTIVE DIRECTORS

All non-executive directors (including INEDs) are appointed with specific term of three years.

Taking into account INEDs' ability to exercise independence of judgment in relation to the Company's affairs by offering or raising independent advices, the Board considers that the INEDs can provide independent advices on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

The Company has received, a written annual confirmation from each of the INEDs confirming his independence pursuant to Rule 3.13 of the Listing Rules. INEDs are also required to inform the Company as soon as practicable if there is any change of circumstances which may affect his or her independence. No such notification has been received during the year ended 31 December 2023. The Company considers all of the INEDs are independent during their tenure.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as the code of conduct in respect of securities transactions of the Directors (the "Model Code"). Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year under review.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established four committees to strengthen its functions and corporate governance practices, namely, audit committee (the “Audit Committee”), Nomination Committee, remuneration committee (the “Remuneration Committee”) and sustainability committee (the “Sustainability Committee”). The Audit Committee, Nomination Committee, Remuneration Committee and Sustainability Committee perform their specific roles in accordance with their respective written terms of reference.

Audit Committee

The Audit Committee currently comprises three INEDs namely, Mr. Shea Chun Lok Quadrant (chairman of the Audit Committee), Mr. Guo Rui and Mr. Chau On Ta Yuen. The Audit Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time.

The Audit Committee is mainly responsible for considering all relationships between the Company and the auditing firm (including the provision of non-audit services), monitoring the integrity of the Company’s financial statements and issues arising from the audit as well as the review of the Group’s risk management and internal control systems whereby the Board had delegated such responsibility to Audit Committee.

In addition, the Audit Committee had been delegated the responsibility to perform the following including:

Corporate Governance Duties

1. to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
5. to review the Company’s compliance with the CG Code and disclosure in the corporate governance report.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

Corporate Governance Duties *(Continued)*

Summary of work done during the year: reviewed the financial statements for the period from 1 January 2023 to 30 June 2023 and for the year ended 31 December 2023, considered and approved the audit work of the auditors, and reviewed the business and financial performance of the Company, the risk management and internal control systems, the Company's compliance with the CG Code and environmental, social and governance reporting guide and disclosure in the corporate governance report and sustainability report.

The Audit Committee held three meetings and conducted by way of one unanimous written resolution to resolve audit related matters during the financial year ended 31 December 2023. Details of attendance of Audit Committee members are as follows:

Name of Audit Committee members	Number of Audit Committee meetings attended/held
Mr. Shea Chun Lok Quadrant <i>(Chairman of Audit Committee)</i>	3/3
Mr. Zhang Gaobo <i>(resigned on 16 June 2023)</i>	1/1 <i>(Note 1)</i>
Mr. Guo Rui	3/3
Mr. Chau On Ta Yuen <i>(appointed on 15 September 2023)</i>	1/1 <i>(Note 2)</i>

Notes:

1. Mr. Zhang Gaobo resigned as an audit committee member of the Company on 16 June 2023 without attending the second and third audit committee meetings held during the year.
2. Mr. Chau On Ta Yuen was appointed as an audit committee member of the Company on 15 September 2023 without attending the first and second audit committee meetings held during the year.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Nomination Committee

The Nomination Committee currently comprises one executive Director namely, Mr. Xiong Bin (chairman of the Nomination Committee) and two INEDs namely, Mr. Guo Rui and Mr. Shea Chun Lok Quadrant.

All new appointments and re-appointments to the Board are subject to the approval of the Board. The Nomination Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time.

The major responsibilities of the Nomination Committee include:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to assess the independence of the INEDs; and
4. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer.

Summary of work done during the year: reviewed and evaluated the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the corporate strategy of the Company, made recommendation to the Board on new appointments, reviewed and recommended the re-appointment of the retiring Directors at the annual general meeting of the Company and assessed independence of the INEDs.

The Nomination Committee had adopted in 2019 a nomination policy (the "Nomination Policy") which sets out the selection criteria and procedures of appointment and re-appointment of a Director. In evaluating and selecting candidate(s) for directorship, the Nomination Committee shall follow the criteria of nomination and appointment of the directors set out in Nomination Policy, including but not limited to the integrity, skills and expertise, professional and educational backgrounds; potential time commitment for the Board and/or committee responsibilities; and the elements of the board diversity policy of the Company. The Nomination Committee shall make recommendation to the Board to appoint the appropriate person among the candidates nominated for directorship. Suitable candidate(s) shall be appointed as director(s) by the Company in accordance with the Bye-laws and the Listing Rules.

During the year, no Nomination Committee meeting was held but by way of five unanimous written resolutions, the Nomination Committee had reviewed nomination related matters.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Remuneration Committee

The Remuneration Committee currently comprises two INEDs namely, Mr. Guo Rui (chairman of the Remuneration Committee), Mr. Shea Chun Lok Quadrant and one executive Director namely, Mr. Tung Woon Cheung Eric.

The Remuneration Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of Directors and senior management with the Board retaining the final authority to approve Directors' and senior management remuneration. It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals and no director is involved in decision of his own remuneration.

The policy and structure of the Group for employees' remuneration proposals were with reference to the corporate goals, prevailing market rate and duties and responsibilities with the Group.

Summary of work done during the year: reviewed the policy and structure of the Group for employees' remuneration proposals with reference to the corporate goals, prevailing market rate and duties and responsibilities with the Group and made recommendations to the Board regarding the Share Award Scheme adopted in December 2018.

During the year, no Remuneration Committee meeting was held but by way of six unanimous written resolutions, the Remuneration Committee had reviewed remuneration related matters.

Sustainability Committee

A sustainability committee of the Company ("Sustainability Committee") has been formed on 1 April 2023. The Sustainability Committee comprises two executive directors namely Mr. Li Li (chairman of the Sustainability Committee) and Mr. Tung Woon Cheung Eric and an INED namely Mr. Guo Rui. The Sustainability Committee members performed their duties within written terms of reference formulated by the Company in accordance with expectation from stakeholders. The Sustainability Committee is responsible for monitoring and reporting to the Board on the implementation and effectiveness of the environmental, social and governance ("ESG") management. It also prioritises the material ESG issues, evaluates the risks and opportunity due to climate change, reviews and monitors the achievement of environmental targets and evaluates the impacts of the ESG performances of the Company on its stakeholders, including employees, shareholders, customers, suppliers, business associates and local communities.

CORPORATE GOVERNANCE REPORT

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners. The Company provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions. The Group understands that it is important to maintain good relationship with customers and provide the services in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the services so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints and ensure customers' complaints are dealt with in a promptly and timely manner. The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the business of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting the environmental sustainability. The Group is committed to maintaining sustainable working practises and pays close attention to ensure all resources are efficiently utilised. The environmental policies and performance of the Company for the year ended 31 December 2023 containing the information required under Appendix C2 to the Listing Rules are set out in 2023 Sustainability Report which will be published on the website of the Stock Exchange and the website of the Company at the same time when the annual report of the Company will be published.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditors and reviewing the non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, external auditors' remuneration for audit services was approximately HK\$12.0 million and for non-audit service assignments was approximately HK\$3.9 million, which represented agreed-upon procedures engagement such as for the interim financial report, taxation advisory and compliance services of the Group. The Audit Committee had satisfied that the non-audit services in 2023 did not affect the independence of the external auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks that may be exposed to the Group and ensuring that the Group maintains sound and effective risk management and internal control systems in order to safeguard the interest of shareholding and the assets of the Group. The Board had delegated such responsibility to the Audit Committee which shall oversee management in designing, implementing and monitoring the risk management and internal control systems.

The Board has been provided with sufficient explanation and necessary information enabling it to make an informed assessment of financial and other information put before the Board for approval.

The risk management framework of the Group is designed of "Three Layers + Three Lines of Defense" model as shown below:



CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

First Line of Defence

Each business unit and headquarters functional division of the Group, as a risk owner, identifies, evaluates and monitors its own risk.

Second Line of Defence

The risk management division has set up a risk management mechanism regarding corporate objectives so as to identify, control, acknowledge and manage the risks faced by the Group. In particular, the Group applies strict guidelines and procedures that monitor and control each investing unit for its investment, with the aim to mitigate risk exposure and external impacts and ensure that the risk management process is in line with the relevant objective.

Third Line of Defence

The audit division carries out an independent review of key business process and controls in accordance with its normal procedures. Its recommendations and remedial measures will be taken to rectify the deficiencies accordingly.

The Group has made reference to the Enterprise Risk Management-Integrated Framework set down by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and adopted it as its own framework, which covers risk identification, risk assessment, risk implementation treatment plan as well as risk investigation and reporting.

Any internal audit findings on control deficiencies were communicated with the relevant functional division and business units of the Group. Relevant control activities were enhanced and post-audit reviews were conducted as and when appropriate. Remedial activities were taken by the Group regarding findings and deficiencies for prior year.

Policy and procedures were laid down to cover issues including project development, tendering, financial reporting, human resources and computer systems and to define clearly the line of authority for each employee. As every functional division and business unit of the Group was required to undertake a series of self-assessment in accordance with the Group's policy and procedures, the audit division was not aware of any internal withholding of internal control deficiency of the Group during the year under review.

The risk management division assessed the potential risk exposure of the Group by means of interview and questionnaire and to discuss with all levels of staff the importance of risk management and internal control systems, share risk perception and enhance the effectiveness of the risk management function. Appropriate risk management activities were carried out and implemented by the Group during the year. Every division and business unit of the Group was invited to discuss such potential risks which might affect their ability to achieve the Group's financial, operational, compliance control objectives and had identified significant risks (including ESG risks) affecting the corporate objectives, namely policy, market competition and government relations.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL*(Continued)*

During the year, the risk management division has presented updated reports to the Audit Committee on implementation of risk management and the effectiveness of the risk management (including ESG risks) and internal control systems of the Group. The Audit Committee closely monitored and reported to the Board annually such effectiveness on an ongoing basis.

During the year, the audit division performed the annual audit by adopting a risk-based approach and covered the areas of internal environment, risk assessment, control activities, information and communications as well as internal control.

As at 31 December 2023, both the Audit Committee and the Board were not aware of any material internal control deficiencies and were satisfied that the risk management and internal control systems of the Group are effective and adequate.

During the year, the Board believes that there is an adequacy of resources in term of staff qualifications and experience, training programmes and budget of the Group's internal audit function as well as those relating to the Company's ESG performance and reporting.

The Group has set up a whistleblower policy and a set of comprehensive procedures to the employees, business partners and other concerned parties to raises concerns, in confidence, to the Board about possible improprieties within the Group. The identity of the whistleblower will be treated with the strictest confidential.

The Group has set up the inside information policy and procedure for the handling and dissemination of inside information. The inside information policy mainly focuses on the obligations of the Group, external communication guidelines and compliance and reporting procedures. The Group shall take all reasonable measures from time to time to ensure that proper safeguards in existence to prevent any breach of disclosure requirement.

The Group has adopted appropriate measures to review the implementation of the Group's existing continuing connected transactions. During the year, the relevant companies had monitored strictly pursuant to the pricing policies and terms of the continuing connected transactions in the actual course of business operation and did not exceed those relevant annual caps as disclosed.

WHISTLE-BLOWING SYSTEM

The Group attaches great importance to integrity and compliance work, pays close attention to anti-bribery, anti-corruption, and anti-unfair competition. The Group has established a whistleblowing policy and system to allow our employees and stakeholders to raise concerns on any potential business misconduct and malpractice confidentially. The Discipline Inspection and Supervision Department was also set up to handle matters arising from whistleblower reports in an effective manner. The whistle-blowers are able to raise concern to the Audit Committee. The Group is also committed to ensuring the protection of the whistle-blower against detrimental or unfair treatment.

CORPORATE GOVERNANCE REPORT

ANTI-BRIBERY AND ANTI-CORRUPTION SYSTEM

The Group has in place an anti-bribery and anti-corruption policies and systems for all its employees to eliminate bribery, extortion, and other frauds. Employees are required to act with integrity and to report any suspected bribery and corruptions cases to Discipline Inspection and Supervision Department of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the accounts for the year ended 31 December 2023, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditors, is set out on pages 91 to 97 of the "Independent Auditors' Report" in this annual report.

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric, as the executive Director, is also the company secretary of the Company. During the year ended 31 December 2023, Mr. Tung has complied with the relevant professional training required under Rule 3.29 of the Listing Rules. The biographical details of Mr. Tung is set out in the section headed "Directors and Senior Management" on page 56 in this annual report.

DIVIDEND POLICY

The Company adopted a dividend policy. It aims to provide shareholders of the Company with stable and sustainable returns.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. Any payment of the dividend by the Company is also subject to any restrictions under the laws of Bermuda, the Bye-Laws and any applicable laws, rules and regulations.

The declaration and payment of any dividend shall be determined at the sole discretion of the Board having taken into account, inter alia, the Group's financial performance, retained earnings and distributable reserves of the Group, the Group's working capital requirements and future expansion plans, the Group's liquidity position, general economic conditions, business cycle of the Group's business, contractual restrictions of the Group, the shareholders' and the investors' expectation and any other factors that the Board deems relevant.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening a special general meeting by shareholders ("SGM")

1. The Board shall on the written requisition of any one or more shareholders of the Company who hold at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid-up capital of the Company that carries the right of voting at the SGM, forthwith proceed duly to convene the SGM ("Requisition"). The Requisition, which may consist of several documents in like form each signed by one or more requisitionists, must state the objects of the SGM and deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11 Bermuda and the head office and principal place of business in Hong Kong at Rooms 6706-07, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretary of the Company.
2. The Requisition will be verified by the branch share registrar of the Company in Hong Kong, and if the Requisition is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the requirements under the Bye-laws to all the registered shareholders. On the contrary, if the Requisition has been verified as not in order, the shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.
3. If the Board does not within 21 days from the date of the deposit of the Requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM in the same manner, as nearly as possible, as that in which SGM may be convened by the Board as a physical meeting at only one location, but any meeting so convened shall not be held after the expiration of three months from the aforesaid date of the deposit of the Requisition.
4. All reasonable expenses incurred by the requisitionists as a result of the failure of the Board to convene such a SGM shall be reimbursed to them by the Company.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(Continued)*

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board for the attention of the Secretary of the Company ("Company Secretary") via email (mailbox@bewg.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at Rooms 6706-07, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for putting forward proposals at shareholders' meetings other than a proposal of a person for election as director

If a shareholder of the Company wishes to put forward proposals at the annual general meeting (the "AGM")/SGM which is to be held, such shareholder, who is duly qualified to attend and vote at such general meeting, shall follow the procedures as set out below which are required in accordance with the Bye-laws and the Listing Rules.

1. Shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (ii) not less than 100 shareholders, can submit a written request stating the resolution intended to be moved at the AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.
2. The written request/statements must be signed by the shareholder(s) concerned and deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11 Bermuda and the head office and principal place of business in Hong Kong at Rooms 6706-07, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretary of the Company, not less than six weeks before the AGM in the case of a request requiring notice of a resolution and not less than one week before the general meeting in the case of a statement.
3. The request will be verified by the branch share registrar of the Company in Hong Kong and if the request is proper and in order, the Company Secretary will ask the Board of the Company (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the shareholder(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the shareholder(s) concerned in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition has been verified as not in order or the shareholder(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

For a proposal in relation to the election of a person as a Director of the Company, shareholders of the Company may take reference to the procedures made available under headed the "Investor Relations" and "Corporate Governance" section ("Procedures for Shareholders to Propose a Person for Election as a Director") of the Company's website.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

Shareholders Communication Policy

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders so that they can exercise their rights in an informed manner. Information about the Company is disseminated to the shareholders through the following multi-channels:

1. Delivery of interim, annual reports as well as circulars to all shareholders of the Company;
2. Publication of announcements regarding interim results, annual results or other announcements in accordance with the continuing disclosure obligations under the Listing Rules as well as online sustainability reports and media releases on the websites of the Company and the Stock Exchange;
3. A dedicated investors and analyst briefing call to be conducted immediately following the release of an interim results or annual results;
4. Investor meetings upon request through various channels including but not limited to meetings such as one-on-one/group meeting in person, virtual-conference, conference-calls and emails;
5. Timely updates with research analysts, in order to deliver insights to investors with collaborative third party opinion in a fair and objective manner;
6. Publication of latest news and issues of the Company concerned by shareholders or potential investors through the 'Investor Relations' section of official website of the Company and enterprise social media, in order to spread over all kinds of investors especially for medium and small investors; and
7. Convening the annual general meeting or special general meetings is an effective communication channel between the Board and shareholders of the Company.

The aforesaid channels allow the Company to receive feedback from its shareholders and institutional shareholders. In addition, the Company has dedicated email accounts for taking enquiries from shareholders or potential investors.

The Board believes that effective and proper investor relations play an important role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence.

The Audit Committee is responsible for the review of the implementation and effectiveness of the shareholders' communication policy ("Policy"). The Audit Committee had undertaken the review and the implementation and effectiveness of the Policy was confirmed.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS *(Continued)*

Communication with shareholders

During the financial year ended 31 December 2023, the Group has proactively taken the following measures in order to ensure effective shareholders' communication and enhance our transparency:

1. A number of the Board members attended the 2023 annual general meeting during the year to provide shareholders with opportunities to understand the latest development of the Group and raise questions;
2. The Group maintained timely and effective contacts with research analysts, institutional shareholders and potential investors through various channels including but not limited to meetings such as virtual-conference meeting, conference-calls and emails; and
3. updated the Company's latest news and developments regularly through the 'Investor Relations' section of the Company's official website and enterprise social media, in order to spread over all kinds of investors especially for medium and small investors.

The above measures will provide them with the access to the latest development of the Group as well as the water industry.

Constitutional documents

During the year, the Company has made amendments to the Bye-laws to (i) bring the Bye-laws in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022; (ii) allow electronic and hybrid general meetings of the Company to be convened; and (iii) make other consequential and house-keeping amendments. The amended and restated Bye-laws were adopted by the Company with effect from the special resolution passed at the AGM held on 7 June 2023. For details of the amendments, please refer to the AGM circular of the Company dated 27 April 2023.

COMPLIANCE WITH REGULATIONS

The Group is not aware of any instances of material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap. 622), Listing Rules, and other applicable local laws and regulations in various jurisdictions during the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

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.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Xiong Bin (“Mr. Xiong”), aged 57, was appointed as an executive director and the chairman of the Company in July 2022. Mr. Xiong is also the chairman of nomination committee of the Company. Mr. Xiong is an executive director and the chief executive officer of Beijing Enterprises Holdings Limited (Stock Code: 392), a company listed on the main board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and a non-executive director and vice chairman of China Gas Holdings Limited (Stock Code: 384), a company listed on the main board of the Stock Exchange. He also served as an assistant to general manager of Beijing Enterprises Group Company Limited and a director of Beijing Gas Group Co., Ltd. Mr. Xiong is a PRC engineer. He graduated from the Department of Thermal Engineering of the School of Mechanical Engineering of Tongji University, and received an EMBA degree from the School of Economics and Management of the Tsinghua University. Mr. Xiong has joined Beijing Gas Group Co., Ltd. since 1999 from which he has obtained numerous years of experience in public infrastructure facilities management. Mr. Xiong has joined Beijing Enterprises Group Company Limited since 2011 and has enriched his experience in strategic and investment management skills by working at its strategic investment department.

Mr. Jiang Xinhao (“Mr. Jiang”), aged 59, was appointed as an executive director of the Company in June 2008. Mr. Jiang serves as a vice general manager of Beijing Enterprises Group Company Limited, an executive director and vice chairman of Beijing Enterprises Holdings Limited (Stock Code: 392), a company listed on the main board of the Stock Exchange. Mr. Jiang is also a non-executive director of China Gas Holdings Limited (Stock Code: 384), a company listed on the main board of the Stock Exchange. Mr. Jiang was an executive director of Beijing Properties (Holdings) Limited (Stock Code: 925), a company listed on the main board of the Stock Exchange between 2011 and 2016. Mr. Jiang is a senior economist and graduated from Fudan University in 1987 with a bachelor’s degree in law, and then in 1992 with a master’s degree in law from Fudan University. Mr. Jiang was a lecturer at Peking University between 1992 and 1994. From 1995 to 1997, Mr. Jiang was a deputy general manager of Jingtai Finance Company in Hong Kong, and subsequently a director and vice president of BHL Industrial Investment Company. From 1997 to February 2005, Mr. Jiang was a director and the chief executive officer of Tramford International Limited, a public company listed on Nasdaq. Mr. Jiang was a manager of the investment development department of Beijing Holdings Limited and a general manager of Beijing BHL Investment Center between May 2000 and February 2005. Mr. Jiang has many years of experience in economics, finance and corporate management.

Mr. Zhou Min (“Mr. Zhou”), aged 60, was appointed as an executive director of the Company in August 2008 and the chief executive officer of the Company on 30 March 2016. Mr. Zhou is also an executive director and the chairman of Beijing Enterprises Urban Resources Group Limited (Stock Code: 3718), a company listed on the main board of the Stock Exchange. Mr. Zhou graduated with an EMBA from the Tsinghua University and is the vice chairman of Mianyang Zhejiang Chamber of Commerce (綿陽市浙江商會). Mr. Zhou previously worked in the People’s Bank of China, Yongkang Branch of Zhejiang Province (浙江省人民銀行永康支行), the Industrial and Commercial Bank of China, Yongkang Branch of Zhejiang Province (浙江省工商銀行永康支行), and was the chairman of Beijing Jingsheng Investment Company Limited (北京景盛投資有限公司). Mr. Zhou is now the chairman of BEWG Environmental Group Co., Ltd.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. Li Haifeng, formerly known as 李海峰, aged 53, was appointed as an executive director and a vice president of the Company in August 2008. He is also an executive director of Beijing Enterprises Urban Resources Group Limited (Stock Code: 3718), a company listed on the main board of the Stock Exchange. He graduated with a bachelor's degree in Laws from the Peking University. He was an assistant to president of Founder Group (方正集團) and the executive vice president of Founder Xintiandi Software Technology Co. Ltd. (方正新天地軟件科技有限公司). He was an executive director of Carry Wealth Holdings Limited (Stock Code: 643), a company listed on main board of the Stock Exchange from June 2011 to February 2023.

Ms. Sha Ning (“Ms. Sha”), aged 53, was appointed as an executive director of the Company in January 2020 and is a vice president of Beijing Enterprises Holdings Limited (the “BEHL”) (Stock Code: 392), a company listed on the main board of the Stock Exchange and also serves as an executive director of Beijing Enterprises Environment Group Limited (Stock Code: 154), a company listed on the main board of the Stock Exchange. Ms. Sha graduated from the Business and Economics Faculty of Heilongjiang Institute of Commerce in 1992, and studied Accounting in Beijing School of Business and Capital University of Economics and Business. She obtained an EMBA degree from The Hong Kong University of Science and Technology, and was granted the title of PRC Senior Accountant. Ms. Sha joined BEHL since 2001 and has accumulated extensive experience in financial management.

Mr. Zhang Wenjiang (“Mr. Zhang”), aged 47, was appointed as an executive director of the Company in February 2024. Mr. Zhang also serves as a general counsel of Beijing Enterprises Holdings Limited (Stock Code: 392), a company listed on the main board of the Stock Exchange. He is a PRC Senior Economist. Mr. Zhang graduated from Shanxi University of Finance and Economics and obtained a doctorate degree in law from China University of Political Science and Law. Mr. Zhang has extensive working experiences in manufacturing companies, mining companies, investment companies and trade and finance enterprises. He worked as a lawyer at Shanxi Zhong Lv Law Firm and served as a general counsel of China National Gold Group Trading Co., Ltd.* (中國黃金集團貿易有限公司) and a chief compliance officer in TEBA Holdings Co. Ltd.* (特變電工集團有限公司). He has extensive legal professional skills and higher level of management.

Mr. Tung Woon Cheung Eric (“Mr. Tung”), aged 53, was appointed as an executive director of the Company in August 2011. Mr. Tung is a member of each of the remuneration committee and the sustainability committee, the chief financial officer and company secretary of the Company. Mr. Tung is also the chief financial officer and general manager of the finance department of Beijing Enterprises Holdings Limited (Stock Code: 392), a company listed on the main board of the Stock Exchange. Mr. Tung is currently an independent non-executive director of South China Financial Holdings Limited (Stock Code: 619) and GR Life Style Company (Properties) Limited (formerly known as GR Properties Limited) (Stock Code: 108) and Jinke Smart Services Group Co., Ltd. (Stock Code: 9666), the shares of all which (both of which) are listed on the main board of the Stock Exchange. Mr. Tung graduated from York University, Toronto, Canada with a bachelor's honours degree in administrative studies. He is a Hong Kong Certified Public Accountant and a U.S. licensed practice Certified Public Accountant.

* For identification purpose only

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. Li Li, aged 58, was appointed as an executive director of the Company in February 2014 and the chief operating officer of the Company on 30 March 2016. He is also the chairman of the sustainability committee of the Company. Mr. Li Li joined the Company in October 2010. Mr. Li Li is also an executive director of Shandong Hi-Speed New Energy Group Limited (Stock Code: 1250) and an executive director of Beijing Enterprises Urban Resources Group Limited (Stock Code: 3718), the shares of both of which are listed on the main board of the Stock Exchange. He is a Senior Engineer and qualified Senior Project Manager. Mr. Li Li graduated from Xian Jiaotong University in mechanical engineering and PhD in engineering at School of Environment, Tsinghua University. Prior to joining the Company, Mr. Li Li was then a senior engineer, a technical quality director and vice president of the First Design & Research Institute (now known as First Design and Research Institute M1 China Co., Ltd.). Mr. Li Li served as various key positions of 北京桑德環保集團有限公司 (Beijing Sound Environmental Group Company Limited*) from 2001 to 2010. He has extensive experience in investment, construction and operation in water industry.

Non-executive Director

Mr. Wang Dianchang (“Mr. Wang”), aged 51, was appointed as a non-executive director of the Company in March 2022. Mr. Wang is the chairman of Yangtze Ecology and Environment Co. Ltd., an executive director of Yangtze Ecology and Environment (HK) Investment Limited and supervisor of the Yangtze Ecology and Environment Engineering Research Center of China Three Gorges Corporation. Mr. Wang holds a doctoral degree from Tsinghua University and a doctorate in engineering. He is a senior engineer. Mr. Wang has extensive experience in ecological environmental protection. Mr. Wang has post-doctoral working experience in Max Planck Institute of Marine Microbiology in Germany. Mr. Wang was the deputy commissioner, commissioner and deputy director of the reservoir management department of the Three Gorges Office of the State Council, deputy director of the comprehensive department and deputy supervisor and supervisor of the environmental protection department of China Three Gorges Corporation.

* For identification purpose only

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

Independent non-executive Directors

Mr. Shea Chun Lok Quadrant (“Mr. Shea”), alias Martin, formerly known as Shea Chi Lap, Quadrant, aged 57, was appointed as an independent non-executive Director of the Company in April 2002. Mr. Shea is also the chairman of audit committee, a member of each of the nomination committee and the remuneration committee of the Company. Mr. Shea is currently an executive director, the chief financial officer and company secretary of Asia Allied Infrastructure Holdings Limited (Stock Code: 711), a company listed on the main board of the Stock Exchange. Mr. Shea is also an executive director of Modern Living Investments Holdings Limited (Stock Code: 8426) and an independent non-executive director of Hi-Level Technology Holdings Limited (Stock Code: 8113), the shares of both companies are listed on GEM of the Stock Exchange. Mr. Shea graduated from Monash University of Australia with a bachelor’s degree in Business and later completed a postgraduate program of Public Finance (Taxation) and obtained a master’s degree in Economics from Jinan University, China and a master of Laws degree from Renmin University of China. Mr. Shea is also a fellow member of CPA Australia, a member of Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong, The Chartered Institute of Management Accountants of the United Kingdom and Institute of Singapore Chartered Accountants and a Chartered Global Management Accountant. Mr. Shea is a Chartered Tax Adviser of Hong Kong and has obtained a Certificate of Pass in Practice Training Examination for Hong Kong Certified Tax Advisers Serving in Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Qianhai, Shenzhen jointly issued by Shenzhen Municipal Office of the State Administration of Taxation and Shenzhen Local Taxation Bureau. Mr. Shea also has been awarded the Certified ESG Planner with the focus on sustainable banking and finance issued by the International Chamber of Sustainable Development. Mr. Shea has substantial experience in accounting and finance in listed companies and worked as a qualified accountant and company secretary in various companies listed on the main board of the Stock Exchange over the years.

Mr. Guo Rui (“Mr. Guo”), aged 56, was appointed as an independent non-executive director of the Company in May 2008. Mr. Guo is also the chairman of the remuneration committee, a member of each of the audit committee, the nomination committee and the sustainability committee of the Company. Mr. Guo is the managing director of 北京明銳恒豐管理諮詢有限公司 Beijing MingRui Hengfeng Management & Consulting Co. Ltd., an investment management organisation that invests in real estate, clean energy, healthcare and pharmaceuticals, biotechnology, financial institutes, mining and manufacturing sectors. Mr. Guo was a former senior consultant of Arthur Andersen LLC from 1999 to 2001. Mr. Guo holds a bachelor’s degree of computer science (or engineering) from Peking University and a master’s degree of computer engineering from Northwestern University, U.S.A.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

Independent non-executive Directors *(Continued)*

Mr. Chau On Ta Yuen (“Mr. Chau”), aged 76, was appointed as an independent non-executive director of the Company in April 2021. Mr. Chau is also a member of the audit committee of the Company. Mr. Chau graduated from Xiamen University with a bachelor’s degree in Chinese language and literature in 1968. Mr. Chau is currently an executive director and the chairman of the board of directors of ELL Environmental Holdings Limited (Stock Code: 1395), a company listed on main board of the Stock Exchange. Mr. Chau is also an independent non-executive director of Redco Properties Group Limited (Stock Code: 1622), Come Sure Group (Holdings) Limited (Stock Code: 794) and Million Hope Industries Holdings Limited (Stock Code: 1897), the shares of all of which are listed on the main board of the Stock Exchange. From September 2017 to April 2021, Mr. Chau was an independent non-executive director of Hang Pin Living Technology Company Limited (Stock Code: 1682), a company listed on main board of the Stock Exchange. Mr. Chau was an independent non-executive director of Good Resources Holdings Limited (Stock Code: 109) since July 2019 and was re-designated as its executive director and chairman since September 2021, the shares of which has been delisted from the Stock Exchange since May 2022. Mr. Chau awarded the Bronze Bauhinia Star (BBS) and the Silver Bauhinia Star (SBS) by the government of Hong Kong Special Administrative Region in 2010 and 2016 respectively. Mr. Chau was a Standing Committee Member of the Thirteenth National Committee of the Chinese People’s Political Consultative Conference from March 2018 to February 2023. Mr. Chau is currently the honorary consultant of the Hong Kong Federation of Fujian Association.

Mr. Dai Xiaohu (“Mr. Dai”), aged 61, was appointed as an independent non-executive director of the Company in November 2022. Mr. Dai obtained a bachelor’s degree in environmental engineering from Tongji University in July 1985, and a doctorate degree in environment engineering from Department of Civil Engineering, Ruhr University Bochum, Germany in February 1992. Mr. Dai was an independent non-executive director of China Conch Environment Protection Holdings Limited (Stock Code: 587), a company listed on main board of the Stock Exchange from September 2021 to August 2023. Mr. Dai lived and worked in Germany for 23 years and returned to China as a full-time special expert of overseas high-level talents since 2009. Mr. Dai made many pioneering achievements in the fields of environmental engineering, pollution control, solid waste recycling, energy saving and emission reduction. Mr. Dai published more than 340 SCI papers and authorized more than 100 patented inventions. Mr. Dai has been a director of the National Engineering Research Center for Urban Pollution Control of Tongji University since February 2010.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS *(Continued)*

Independent non-executive Directors *(Continued)*

Ms. Chan Siu Chee Sophia (“Ms. Chan”), aged 65, was appointed as an independent non-executive director in September 2023. Ms. Chan obtained Master Degrees in Education and Public Health from the University of Manchester and the Harvard University respectively and attained a doctorate degree in Philosophy from the University of Hong Kong. Ms. Chan joined in the School of Nursing of the University of Hong Kong as an assistant professor, a founding member of the Department of Nursing Studies in 1995. Afterwards, she focused on teaching, research and administrative management, serving as the professor and the head of the School of Nursing. She became the Assistant Dean of the Medicine of the University of Hong Kong in 2004. Ms. Chan’s research has gained international recognition as she was not only awarded the Honorary Fellow qualification by the Faculty of Public Health of the Royal College of Physicians, but also the first nurse in Hong Kong who was awarded the Fellow by the American Academy of Nursing. Ms. Chan served as the Under Secretary for Food and Health in 2012 to 2017, and was appointed as Secretary for Food and Health in 2017 to 2022, to participate in and take charge of the policy making and promotion. Ms. Chan currently is the Professor of Nursing and Senior Advisor in the President’s office of the University of Hong Kong.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment company and the holding company of the Group. The Group is principally engaged in construction of sewage and reclaimed water treatment and seawater desalination plants, and provision of construction services for comprehensive renovation projects in the mainland (“Chinese Mainland”) of the People’s Republic of China (the “PRC”), Malaysia, Australia and the Republic of Botswana; provision of sewage and reclaimed water treatment services in the PRC, the Republic of Singapore, the Portuguese Republic (“Portugal”), Australia and New Zealand; distribution and sale of piped water in the PRC, Portugal and Australia; provision of technical and consultancy services and sale of machineries related to sewage treatment and construction services for comprehensive renovation projects in the PRC and Australia; licensing of technical know-how related to sewage treatment in the PRC; and provision of urban services and hazardous waste treatment services in the PRC. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements.

RESULTS AND FINAL DIVIDEND

The Group’s profit for the year ended 31 December 2023 and the Group’s financial position at that date are set out in the consolidated financial statements on pages 98 to 266. An interim dividend of HK7.0 cents per ordinary share of the Company was paid on 19 October 2023. The Board recommended to pay final dividend of HK8.7 cents per ordinary share of the Company (the “Proposed Final Dividend”) to shareholders of the Company for their continuous supports to the Company. This recommendation is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting. The Proposed Final Dividend will be paid on or around Monday, 29 July 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, save in case of HKSCC Nominees Limited, which may elect to receive part of its entitlement in RMB) 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 5 June 2024, being the date of the forthcoming annual general meeting of the Company (“AGM”). To make such election, shareholders should complete the dividend currency election form, which is expected to 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, and return it to 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 not later than 4:30 p.m. on Monday, 8 July 2024.

Shareholders who are minded to elect to receive all (but not part, save in case of HKSCC Nominees Limited, which may elect to receive part of its entitlement in RMB) of their dividends in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will/will not be honoured for payment upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant shareholders by ordinary post on Monday, 29 July 2024 at the shareholders’ own risk.

REPORT OF THE DIRECTORS

RESULTS AND FINAL DIVIDEND *(Continued)*

If no election is made by a shareholder or no duly completed dividend currency election form in respect of that shareholder is received by branch share registrar of the Company in Hong Kong by 4:30 p.m. on Monday, 8 July 2024, such shareholder will automatically receive the Proposed Final Dividend in HKD. All dividend payments in HKD will be made in the usual way on Monday, 29 July 2024.

If shareholders wish to receive the Proposed Final Dividend in HKD in the usual way, no additional action is required.

If any beneficial owners of shares of the Company which are registered in the name of a nominee (e.g. HKSCC Nominees Limited), trustee or registered holder in any other capacity elect to receive all (but not part) of the Proposed Final Dividend in RMB, they should make appropriate arrangements with such nominees, trustees or registered holders in order to effect the receipt of the Proposed Final Dividend in RMB. The Company shall not be responsible for any costs, taxes or duties associated therewith or arising therefrom and such costs will be borne solely by the beneficial owners of such shares of the Company. If no such arrangements are in place, such beneficial owners of shares of the Company (despite having elected to receive the Proposed Final Dividend in RMB) shall receive the Proposed Final Dividend in HKD.

Shareholders should seek professional advice with their own tax advisors regarding any possible tax implications of the proposed dividend payment.

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 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.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the chairman's statement on pages 4 to 7 of this annual report. Description of possible risks and uncertainties that the Group may be facing, can be found in the chairman's statement on pages 4 to 6. The financial risk management objectives and policies of the Group can be found in note 52 to the financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided on pages 8 to 33 of the Group's management discussion and analysis. In addition, discussions on the Group's environmental policies, relationship with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the chairman's statement on pages 4 to 7 and the corporate governance report on pages 34 to 54 of this annual report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities and equity of the Group for the last five financial years, as extracted from the audited financial statements and the annual reports of the Company for the financial years ended 31 December 2023, 2022, 2021, 2020, 2019 is set out on pages 267 to 268. This summary does not form part of the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group together accounted for 7% of the Group's revenue and aggregate purchases attributable to the Group's five largest suppliers accounted for 12% of the Group's total purchases for the year. Sales to the largest customer accounted for 2% of the Group's revenue and purchases from the largest supplier accounted for 3% of the Group's purchases.

During the year, none of the Directors, an associate of the Director or a shareholder of the Company which (to the best knowledge of the Directors) owns more than 5% of the Company's share capital, had a beneficial interest in any of the Group's five largest customers or suppliers.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the Company's principal subsidiaries, joint ventures and associates at 31 December 2023 are set out in notes 1, 20 and 21 to the financial statements, respectively.

SHARE CAPITAL AND SHARE ISSUED

Details of movements in the share capital of the Company during the year, together with the reasons therefor, are set out in note 30 to the financial statements.

REPORT OF THE DIRECTORS

DEBENTURE ISSUED

As at 31 December 2023, the outstanding principal amounts of medium-term notes issued by the Company was RMB2,000,000,000, with maturity dates in January 2026 and January 2029 and interest rates at 3.95% and 4.49% per annum, respectively. Two years prior to the maturity of the medium-term notes due in 2026, the Company shall be entitled to adjust the coupon rate of such medium-term notes and the notes holders shall be entitled to sell back such notes to the Company.

As at 31 December 2023, the outstanding principal amounts of medium-term notes issued by a wholly-owned subsidiary of the Company was RMB2,000,000,000, with maturity dates in March 2028 and March 2030 and interest rates at 3.43% and 3.98% per annum, respectively. Three years prior to the maturity of the medium-term notes due in 2028, the wholly-owned subsidiary of the Company shall be entitled to adjust the coupon rate of such medium-term notes and the notes holders shall be entitled to sell back such notes to the wholly-owned subsidiary of Company.

As at 31 December 2023, the outstanding principal amounts of extendable notes issued by the Company was RMB1,000,000,000 with fixed interest rate of 4.00% per annum to be payable for the first five years. After the first five years, the Company shall have a right to adjust the coupon rate for a cycle of every five years, unless and until the Company chooses to repay the outstanding principal amount with accrued interests in full. The note holders shall not be entitled to sell back the notes to the Company.

As at 31 December 2023, the outstanding principal amounts of medium-term notes issued by the Company was RMB1,500,000,000, with maturity date in April 2029 and interest rate at 3.98% per annum. Three years prior to the maturity, the Company shall be entitled to adjust the coupon rate of medium-term notes and the notes holders shall be entitled to sell back the notes to the Company.

As at 31 December 2023, the outstanding principal amounts of bonds issued by the Company was RMB1,000,000,000, with maturity date in July 2026 and interest rate at 3.27% per annum. Two years prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company.

As at 31 December 2023, the outstanding principal amounts of bonds issued by the Company was RMB1,000,000,000, with maturity date in July 2026 and interest rate at 3.64% per annum.

As at 31 December 2023, the outstanding principal amounts of extendable bonds issued by a wholly-owned subsidiary of the Company was RMB1,000,000,000 with fixed interest rate of 3.58% per annum to be payable for the first three years. After the first three years, the wholly-owned subsidiary of the Company shall have a right to adjust the coupon rate for a cycle of every three years, unless and until the wholly-owned subsidiary of the Company chooses to repay the outstanding principal amount with accrued interests in full. The bond holders shall not be entitled to sell back the notes to the wholly-owned subsidiary of the Company.

REPORT OF THE DIRECTORS

DEBENTURE ISSUED *(Continued)*

As at 31 December 2023, the outstanding principal amounts of extendable bonds issued by a wholly-owned subsidiary of the Company was RMB1,500,000,000 with fixed interest rate of 3.79% per annum to be payable for the first three years. After the first three years, the wholly-owned subsidiary of the Company shall have a right to adjust the coupon rate for a cycle of every three years, unless and until the wholly-owned subsidiary of the Company chooses to repay the outstanding principal amount with accrued interests in full. The bond holders shall not be entitled to sell back the notes to the wholly-owned subsidiary of the Company.

As at 31 December 2023, the outstanding principal amounts of bonds issued by the Company was RMB1,000,000,000, with maturity date in January 2027 and interest rate at 3.38% per annum.

As at 31 December 2023, the outstanding principal amounts of bonds issued by the Company was RMB1,000,000,000, with maturity date in January 2027 and interest rate at 2.97% per annum. Two years prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company.

As at 31 December 2023, the outstanding principal amounts of bonds issued by the Company was RMB500,000,000, with maturity date in March 2028 and interest rate at 2.98% per annum. Two years prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company.

As at 31 December 2023, the outstanding principal amounts of bonds issued by the Company was RMB1,000,000,000, with maturity date in March 2028 and interest rate at 3.50% per annum.

As at 31 December 2023, the outstanding principal amounts of extendable notes issued by the Company was RMB1,000,000,000 with fixed interest rate of 3.03% per annum to be payable for the first two years. After the first two years, the Company shall have a right to adjust the coupon rate for a cycle of every two years, unless and until the Company chooses to repay the outstanding principal amount with accrued interests in full. The note holders shall not be entitled to sell back the notes to the Company.

As at 31 December 2023, the outstanding principal amounts of bonds issued by the Company was RMB1,000,000,000, with maturity date in June 2028 and interest rate at 3.06% per annum. Two years prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company.

As at 31 December 2023, the outstanding principal amounts of extendable notes issued by the Company was RMB500,000,000 with fixed interest rate of 2.93% per annum to be payable for the first two years. After the first two years, the Company shall have a right to adjust the coupon rate for a cycle of every two years, unless and until the Company chooses to repay the outstanding principal amount with accrued interests in full. The note holders shall not be entitled to sell back the notes to the Company.

REPORT OF THE DIRECTORS

DEBENTURE ISSUED *(Continued)*

As at 31 December 2023, the outstanding principal amounts of extendable notes issued by the Company was RMB500,000,000 with fixed interest rate of 3.25% per annum to be payable for the first three years. After the first three years, the Company shall have a right to adjust the coupon rate for a cycle of every three years, unless and until the Company chooses to repay the outstanding principal amount with accrued interests in full. The note holders shall not be entitled to sell back the notes to the Company.

As at 31 December 2023, the outstanding principal amounts of medium-term notes issued by a wholly-owned subsidiary of the Company was RMB1,000,000,000, with maturity dates in September 2028 and interest rates at 3.35% per annum.

As at 31 December 2023, the outstanding principal amounts of medium-term notes issued by a wholly-owned subsidiary of the Company was RMB1,000,000,000, with maturity dates in October 2028 and interest rates at 3.30% per annum.

The reasons for issuance of the above bonds or notes are used for the construction, operation or acquisition of certain water projects and/or “green project” and/or for general working capital purpose.

The above bonds are included in notes 36 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2023, the Company’s reserves available for distribution to shareholders of the Company amounted to RMB5,156,220,000.

Under the Companies Act 1981 of Bermuda (as amended), the Company’s contributed surplus account is available for distribution to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of these reserves if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year were and up to the date of this annual report are:

Executive Directors

Mr. Xiong Bin (*Chairman*)
Mr. Jiang Xinhao
Mr. Zhou Min (*Chief Executive Officer*)
Mr. Li Haifeng
Mr. Ke Jian (*resigned on 6 February 2024*)
Ms. Sha Ning
Mr. Zhang Wenjiang (*appointed on 6 February 2024*)
Mr. Tung Woon Cheung Eric
Mr. Li Li

Non-executive Directors

Mr. Wang Dianchang

Independent Non-executive Directors

Mr. Shea Chun Lok Quadrant
Mr. Zhang Gaobo (*resigned on 16 June 2023*)
Mr. Guo Rui
Mr. Chau On Ta Yuen
Mr. Dai Xiaohu
Ms. Chan Siu Chee Sophia (*appointed on 15 September 2023*)

Mr. Zhang Wenjiang was appointed as an executive Director on 6 February 2024. Ms. Chan Siu Chee Sophia was appointed as an independent non-executive Director on 15 September 2023. Pursuant to bye-law 91 of the amended and restated bye-laws of the Company (“Bye-laws”), Mr. Zhang Wenjiang and Ms. Chan Siu Chee Sophia shall hold office until the first annual general meeting of the Company after his or her appointment and, being eligible, will offer themselves for re-election.

In accordance with bye-law 99(B) of the Bye-laws, Mr. Jiang Xinhao, Mr. Tung Woon Cheung Eric, Mr. Li Li, Mr. Wang Dianchang and Mr. Shea Chun Lok Quadrant shall retire by rotation from office as Directors at the forthcoming AGM and being eligible, will offer themselves for re-election.

The Company has received annual confirmations of independence from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the financial year and up to the date of this annual report.

REPORT OF THE DIRECTORS

BOARD CHANGES

Since the date of the interim report 2023 of the Company and up to date of this annual report, there are changes to the Board as follows:

- (1) Mr. Shea Chun Lok Quadrant was appointed as a member of each of the nomination committee and the remuneration committee of the Company with effect from 15 September 2023.
- (2) Mr. Chau On Ta Yuen was appointed as a member of the audit committee of the Company with effect from 15 September 2023.
- (3) Ms. Chan Siu Chee Sophia was appointed as an independent non-executive director of the Company with effect from 15 September 2023.
- (4) Mr. Ke Jian resigned as an executive director of the Company with effect from 6 February 2024.
- (5) Mr. Zhang Wenjiang was appointed as an executive director of the Company with effect from 6 February 2024.

CHANGES IN INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes in information of Directors since the date of the interim report 2023 of the Company and up to the date of this annual report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- Mr. Tung Woon Cheung Eric, an executive director of the Company, was appointed as an independent non-executive director, the chairman of the audit committee, a member of each of the remuneration committee, nomination committee and environmental, social and governance committee of Jinke Smart Services Group Co., Ltd. with effect from 13 October 2023.
- Mr. Shea Chun Lok Quadrant, an independent non-executive director of the Company, was appointed as an executive director of Modern Living Investments Holdings Limited with effect from 6 March 2024. Mr. Shea has been awarded the Certified ESG Planner with the focus on sustainable banking and finance issued by the International Chamber of Sustainable Development.

Directors' updated biographies are available on the website of the Company.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules.

REPORT OF THE DIRECTORS

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the “Directors and Senior Management” of the Company are set out on pages 55 to 60 of this annual report.

Save as disclosed in the section headed “Directors and Senior Management”, the director who is a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Part XV of the SFO as at the date of this annual report are set out as follows:

Name of Director	Names of companies which had such discloseable interest or short position	Position within such companies
Xiong Bin	Beijing Enterprises Investments Limited (“BEIL”)	Director
	Modern Orient Limited (“MOL”)	Director
Jiang Xinhao	Beijing Enterprises Group (BVI) Company Limited	Director
	BEIL	Director
	MOL	Director
	Beijing Enterprises Environmental Construction Limited (“BE Environmental”)	Director

DIRECTORS’ SERVICE CONTRACTS

All Directors (including executive Directors, NED and INEDs) had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the Bye-laws. No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS’ REMUNERATION

The Directors’ remunerations are subject to the approval from the shareholders of the Company at general meetings. Upon the approval from shareholders of the Company, Directors’ remuneration are determined by the Board with reference to Directors’ duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee of the Company. Further details of the Directors’ remuneration of the Company are set out on pages 165 to 168 of this annual report.

Further details of summary of work done during the year for the remuneration committee of the Company are set out in the corporate governance report on page 45 of this annual report.

REPORT OF THE DIRECTORS

DISCLOSURE OF INTERESTS

Directors' Interests in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 31 December 2023, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code"), were as follows:

(i) Long positions in the shares and/or underlying shares of the Company

Name of Directors	Capacity	Total Interests in number of ordinary shares of the Company	Approximate percentage of the issued share capital of the Company (Note 2)
Mr. Zhou Min	Note 1	370,958,118	3.6924%
Mr. Li Haifeng	Beneficial Owner	22,407,740	0.2230%
Mr. Tung Woon Cheung Eric	Beneficial Owner	590,404	0.0059%
Mr. Li Li	Beneficial Owner	2,253,708	0.0224%

(ii) Long positions in the shares and/or underlying shares of the associated corporation

Associated corporation	Name of Directors	Capacity	Total Interests in number of ordinary shares of the associated corporation	Approximate percentage of the issued share capital of the associated corporation (Note 5)
Beijing Enterprises Urban Resources Group Limited ("BEURG")	Mr. Zhou Min	Note 3	2,439,980,777	67.78%
	Mr. Li Haifeng	Note 4	2,439,980,777	67.78%

REPORT OF THE DIRECTORS

DISCLOSURE OF INTERESTS *(Continued)*

Directors' Interests in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations *(Continued)*

Notes:

1. Mr. Zhou Min was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 370,958,118 ordinary shares of HK\$0.10 each in the share capital of the Company ("Shares") as at 31 December 2023. These shares were held in the following capacity:
 - a. 60,167,240 Shares were held in a beneficial owner capacity.
 - b. 307,676,110 Shares and 3,114,768 Shares were held by Tenson Investment Limited and Star Colour Investments Limited ("Star Colour"), respectively, both of which are wholly and beneficially owned by Mr. Zhou Min, the chief executive officer and an executive director of the Company.
2. The percentage represented the number of Shares over the total issued Shares of the Company as at 31 December 2023 of 10,046,609,871 Shares.
3. Mr. Zhou Min was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 2,439,980,777 ordinary shares of BEURG of HK\$0.10 each ("BEURG Shares") as at 31 December 2023. These BEURG Shares were held in the following capacity:
 - a. 490,476,000 BEURG Shares were held by Star Colour which is wholly and beneficially owned by Mr. Zhou Min, the chief executive officer and an executive director of the Company.
 - b. 1,949,504,777 BEURG Shares were held by the Company, Beijing Holdings Limited ("BHL"), Long March Holdings Limited, Zihua Investments Limited, Maolin Investments Limited ("MIL"), Mr. Li Haifeng, Mr. Zhou Chen and ZGC International Holding Limited which entered into an acting in concert agreement (the "AIC Agreement") with Star Colour (together referred to as the "Concert Parties") on 10 May 2022. Pursuant to the AIC Agreement, the Concert Parties are acting in concert in respect of their interests in BEURG and therefore each of the Concert Parties is deemed to be interested in all the shares held by them in aggregate under the SFO. As at 31 December 2023, each of the Concert Parties were interested in an aggregate of 2,439,980,777 BEURG Shares, representing approximately 67.78% of the issued share capital of the BEURG. Details of the AIC Agreement are set out in the announcement of the Company dated 10 May 2022.
4. Mr. Li Haifeng was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 2,439,980,777 BEURG Shares as at 31 December 2023. These BEURG Shares were held in the following capacity:
 - a. 1,840,000 BEURG Shares were held in a beneficial owner capacity.
 - b. 48,960,000 BEURG Shares were held by MIL which is wholly and beneficially owned by Mr. Li Haifeng, an executive director of the Company.
 - c. 2,389,180,777 BEURG Shares were held by the Company, BHL, Star Colour, Long March Holdings Limited, Zihua Investments Limited, Mr. Zhou Chen and ZGC International Holding Limited which entered into the AIC Agreement with Mr. Li Haifeng and MIL on 10 May 2022. Pursuant to the AIC Agreement, the Concert Parties are acting in concert in respect of their interests in BEURG and therefore each of the Concert Parties is deemed to be interested in all the shares held by them in aggregate under the SFO. As at 31 December 2023, each of the Concert Parties was interested in an aggregate of 2,439,980,777 BEURG Shares, representing approximately 67.78% of the issued share capital of the BEURG. Details of the AIC Agreement are set out in the announcement of the Company dated 10 May 2022.
5. The percentage represented the number of BEURG Shares over the total issued shares of BEURG as at 31 December 2023 of 3,600,000,000 shares.

REPORT OF THE DIRECTORS

DISCLOSURE OF INTERESTS *(Continued)*

Directors' Interests in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations *(Continued)*

(iii) Long positions in share options of the Company

The interests of the Directors in the share options of the Company are separately disclosed in the section “Share Option Scheme” below.

(iv) Long positions in awarded shares of the Company

The interests of the Directors in the awarded Shares of the Company are separately disclosed in the section “Share Award Scheme” below.

Save as disclosed above, as at 31 December 2023, there were no interest or short position of the directors or chief executives of the Company in the Shares, the underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), that are required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

SHARE OPTION SCHEME

On 28 June 2011, a new share option scheme (the “Scheme”) was adopted by the shareholders at the special general meeting of the Company and terminated the old share option scheme adopted by the Company on 20 March 2002. The purpose of the Scheme was to provide incentives to the eligible participants to use their best endeavours in assisting the growth and the development of the Group and continue to attract human resources that were valuable to the growth and the development of the Group as a whole. The Scheme became effective on 28 June 2011 and was effected for 10 years from that date. The Scheme was expired on 27 June 2021. No further share options would be granted under the Scheme but in respect of all share options which remain exercisable on such date, the provisions of the Scheme shall remain in full force and effect.

The total number of shares available for issue under the Scheme was 2,000,000 Shares in respect of all outstanding share options which remain exercisable, representing approximately 0.02%, 0.02% and 0.02% of the ordinary Shares of the Company in issue as at 1 January 2023, 31 December 2023 and 26 March 2024.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(Continued)*

During the year ended 31 December 2023, no option was granted under the Scheme, the movements in the share options of the Company during the year are set out as follows:

Category of Participants/ Name	Number of Share Options					As at 31 December 2023	Grant Date	Exercisable Period	Exercise Price HK\$	Weighted Average Closing price per Share HK\$
	As at 1 January 2023	Granted	Exercised	Lapsed	Cancelled					
Directors										
Tung Woon Cheung Eric	1,800,000	-	-	(1,800,000)	-	-	24/4/2013	24/4/2014 – 23/4/2023	2.244	-
	1,800,000	-	-	(1,800,000)	-	-	24/4/2013	24/4/2015 – 23/4/2023	2.244	-
	1,800,000	-	-	(1,800,000)	-	-	24/4/2013	24/4/2016 – 23/4/2023	2.244	-
	1,800,000	-	-	(1,800,000)	-	-	24/4/2013	24/4/2017 – 23/4/2023	2.244	-
	1,800,000	-	-	(1,800,000)	-	-	24/4/2013	24/4/2018 – 23/4/2023	2.244	-
	9,000,000	-	-	(9,000,000)	-	-				
Li Li	1,180,000	-	-	(1,180,000)	-	-	24/4/2013	24/4/2015 – 23/4/2023	2.244	-
	3,840,000	-	-	(3,840,000)	-	-	24/4/2013	24/4/2016 – 23/4/2023	2.244	-
	3,840,000	-	-	(3,840,000)	-	-	24/4/2013	24/4/2017 – 23/4/2023	2.244	-
	3,840,000	-	-	(3,840,000)	-	-	24/4/2013	24/4/2018 – 23/4/2023	2.244	-
	12,700,000	-	-	(12,700,000)	-	-				
Zhang Gaobo <i>(resigned as an independent non-executive director on 16 June 2023)</i>	400,000	-	-	(400,000)	-	-	24/4/2013	24/4/2017 – 23/4/2023	2.244	-
	400,000	-	-	(400,000)	-	-	24/4/2013	24/4/2018 – 23/4/2023	2.244	-
	800,000	-	-	(800,000)	-	-				
Guo Rui	400,000	-	-	(400,000)	-	-	24/4/2013	24/4/2018 – 23/4/2023	2.244	-
	400,000	-	-	(400,000)	-	-				
Sub-total	22,900,000	-	-	(22,900,000)	-	-				

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

Category of Participants/ Name	Number of Share Options					As at 31 December 2023	Grant Date	Exercisable Period	Exercise Price HK\$	Weighted Average Closing price per Share HK\$
	As at 1 January 2023	Granted	Exercised	Lapsed	Cancelled					
Eligible Participants including Employees										
In aggregate	7,996,000 (Note 1)	-	-	(7,996,000)	-	-	24/4/2013	24/4/2014 – 23/4/2023	2.244	-
	19,104,000 (Note 1)	-	-	(19,104,000)	-	-	24/4/2013	24/4/2015 – 23/4/2023	2.244	-
	21,100,000 (Note 1)	-	-	(21,100,000)	-	-	24/4/2013	24/4/2016 – 23/4/2023	2.244	-
	33,780,000 (Note 1)	-	-	(33,780,000)	-	-	24/4/2013	24/4/2017 – 23/4/2023	2.244	-
	35,620,000 (Note 1)	-	-	(35,620,000)	-	-	24/4/2013	24/4/2018 – 23/4/2023	2.244	-
	2,000,000	-	-	-	-	2,000,000	28/3/2014	1/6/2016 – 27/3/2024	5.180	-
Sub-total	119,600,000	-	-	(117,600,000)	-	2,000,000				
Total	142,500,000	-	-	(140,500,000)	-	2,000,000				

Notes:

- Each participant was vested on 24 April 2014, 24 April 2015, 24 April 2016, 24 April 2017 and 24 April 2018 each for 20% of the share options granted.

Save as disclosed above, no share options were granted, exercised, lapsed or cancelled under the Scheme during the year ended 31 December 2023. The number of Shares that may be issued in respect of share options granted under the Scheme during the year ended 31 December 2023 divided by the weighted average number of Shares in issue during the year ended 31 December 2023 was therefore not applicable.

The Company recognised the fair value of the share options, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. Upon the exercise of share options, the resulting Shares issued are recorded by the Company as additional share capital at the nominal value of the Shares, and the excess of the exercise price per Share over the nominal value of the Shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share options reserve will be transferred to the share premium account. When the share options are forfeited/lapsed after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will be transferred to retained profits as a movement in reserves. For further details, please refer to the “Material Accounting Policies” set out in note 3.4 to the financial statements.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(Continued)*

The Directors have estimated the values of the share options using the Black-Scholes model which is a generally accepted method of valuing options. The measurement date used in the valuation calculations was the date on which the share options were granted.

The values of share options calculated using the Black-Scholes model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

As at 31 December 2023, the Company had 2,000,000 share options outstanding under the Scheme. Should they be fully exercised, the Company will receive approximately RMB9,324,000 (before issue expenses). The fair value of these unexercised options measured in accordance with the Group's accounting policy (note 3.4 to the financial statements) amounted to RMB3,339,000.

SHARE AWARD SCHEME

The Company had adopted a share award scheme (the "Share Award Scheme") on 17 December 2018. The purpose of the Share Award Scheme was to recognise the contributions by certain employees, directors and consultants of the Group and encourage them for the continual operation and development of the Group, and attract excellent talent for further development of the Group.

The Share Award Scheme would be valid and effective for a term of five years commencing on the adoption date and ending on the expiry of the trust period which may be extended by the Board at its absolute discretion. On 14 December 2023, the Board resolved to extend the Share Award Scheme for further five years after the expiry of an initial five-year term until 16 December 2028. As at the date of this annual report, the remaining life of the Share Award Scheme is approximately four years and eight months.

Pursuant to the Share Award Scheme, the Company shall cause to pay the trustee the sum for the purchase of the existing awarded Shares and the related expenses. The trustee shall purchase the existing Shares from the market and shall hold such Shares until they are vested in accordance with the scheme rules. The trustee shall not exercise the voting rights in respect of any Shares held by it under the trust (including but not limited to the awarded Shares). Subject to the terms and conditions of the Share Award Scheme and the fulfillment of all vesting conditions (i.e. performance targets) to the vesting of the awarded Shares, the awarded Shares shall be held by the trustee on behalf of the selected participants until the end of the vesting period. The selected participants are not required to pay any purchase price for the vested Shares. The awarded Shares will be transferred by the trustee to the selected participants.

REPORT OF THE DIRECTORS

SHARE AWARD SCHEME *(Continued)*

The maximum aggregate number of Shares which can be held by the trustee under the Share Award Scheme at any single point in time shall not exceed 2% of the total issued share capital of the Company from time to time. As at 26 March 2024, 18,499,494 Shares, representing approximately 0.18% of the ordinary Shares of the Company in issue as at the date of this annual report, were held by the trustee pursuant to the Share Award Scheme. Accordingly, the number of Shares that the trustee may further purchase from the open market for the purpose of the Share Award Scheme as at 26 March 2024 was 182,432,703 Shares, representing approximately 1.82% of the ordinary Shares of the Company in issue as at the date of this annual report.

The maximum number of existing Shares which may be awarded to a selected participant under the Share Award Scheme in any 12-month period shall not exceed 1% of the total issued share capital of the Company from time to time. If the selected participant, who is a director of the Company or service provider (if applicable), the maximum number of existing Shares which may be awarded to him/her under the Share Award Scheme in any 12-month period shall not exceed 0.1% of the total issued share capital of the Company from time to time.

The number of awarded Shares to be available for grant are 179,267,871 Shares as at 1 January 2023 and 200,932,197 Shares as at 31 December 2023, respectively.

During the year, a total of 13,261,718 awarded Shares were granted under the Share Award Scheme, representing 0.13% of the issued share capital of the Company as at the date of grant of the awarded Shares on 13 July 2023 and all the awarded Shares were vested during the year ended 31 December 2023. The movements in the awarded Shares of the Company during the year are set out as follows:

Category of Participants/Name	Number of awarded Shares					As at 31 December 2023	Grant Date	Vesting Period
	As at 1 January 2023	Granted <i>(Note 1, 2)</i>	Vested	Lapsed	Cancelled			
Directors								
Zhou Min	2,217,240	-	(2,217,240) <i>(Note 3)</i>	-	-	-	2/12/2022	8/4/2022 - 7/4/2023
Li Haifeng	332,586	-	(332,586) <i>(Note 3)</i>	-	-	-	2/12/2022	8/4/2022 - 7/4/2023
	-	270,954	(270,954) <i>(Note 4)</i>	-	-	-	13/7/2023	12/4/2023 - 11/4/2024
Tung Woon Cheung Eric	184,770	-	(184,770) <i>(Note 3)</i>	-	-	-	2/12/2022	8/4/2022 - 7/4/2023
	-	120,424	(120,424) <i>(Note 4)</i>	-	-	-	13/7/2023	12/4/2023 - 11/4/2024
Li Li	1,108,620	-	(1,108,620) <i>(Note 3)</i>	-	-	-	2/12/2022	8/4/2022 - 7/4/2023
Sub-total	3,843,216	391,378	(4,234,594)	-	-	-		

REPORT OF THE DIRECTORS

SHARE AWARD SCHEME *(Continued)*

Category of Participants/Name	Number of awarded Shares					As at 31 December 2023	Grant Date	Vesting Period
	As at 1 January 2023	Granted <i>(Note 1, 2)</i>	Vested	Lapsed	Cancelled			
Five highest paid employees in aggregate (excluding the Directors as disclosed above)								
In aggregate	332,586	-	(332,586) <i>(Note 3)</i>	-	-	-	2/12/2022	8/4/2022 - 7/4/2023
	-	376,325	(376,325) <i>(Note 4)</i>	-	-	-	13/7/2023	12/4/2023 - 11/4/2024
Sub-total	332,586	376,325	(708,911)	-	-	-		
Eligible Participants								
In aggregate	17,488,524	-	(17,488,524) <i>(Note 3)</i>	-	-	-	2/12/2022	8/4/2022 - 7/4/2023
	-	12,494,015	(12,494,015) <i>(Note 4)</i>	-	-	-	13/7/2023	12/4/2023 - 11/4/2024
Sub-total	17,488,524	12,494,015	(29,982,539)	-	-	-		
Total	21,664,326	13,261,718	(34,926,044)	-	-	-		

Notes:

- On 13 July 2023, an aggregate of 13,261,718 awarded Shares ("2023 Awarded Shares") were granted to the selected participants. Upon fulfillment of performance targets, the 2023 Awarded Shares shall be vested to the selected participants.
- The closing price immediately before the date on which the 2023 Awarded Shares granted on 13 July 2023 was HK\$1.88 per Share.
- The weighted average closing price/closing price per Share immediately before the date of vesting of 2022 awarded Shares on 8 February 2023 by the selected participants is HK\$2 per Share.
- The weighted average closing price/closing price per Share immediately before the date of vesting of 2023 Awarded Shares on 25 September 2023 by the selected participants is HK\$1.78 per Share.

REPORT OF THE DIRECTORS

SHARE AWARD SCHEME *(Continued)*

Further details of the Share Award Scheme are set out in note 32 to the financial statements.

The Directors have estimated the values of the share awards determined based on the closing market price at the date of the grant. During the year ended 31 December 2023, the Company granted 13,261,718 awarded Shares on 13 July 2023 under the Share Award Scheme and the fair value of these 13,261,718 awarded Shares measured in accordance with the Group's accounting policy (note 3.4 to the financial statements) amounted to RMB22,678,000.

During the year ended 31 December 2023, the aggregate of 13,261,718 awarded Shares granted to the selected participants during the year ended 31 December 2023 have been purchased by the trustee from the open market pursuant to the Share Award Scheme. Accordingly, no Share would be issued in respect of the awarded Shares granted under the Share Award Scheme during the year ended 31 December 2023. The number of Shares that may be issued in respect of awarded Shares granted under the Share Award Scheme during the year ended 31 December 2023 divided by the weighted average number of Shares in issue during the year ended 31 December 2023 was therefore not applicable.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' Interests in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations", "Share Option Scheme" and "Share Award Scheme", at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debenture of the Company granted to any director or their respective spouse or children under the age of 18, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the transactions as disclosed in the sections headed "Related Party Transactions" and "Connected Transactions" below, there were no other transactions, arrangements or contracts of significance to which the Company, any of its holding companies of the Company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the directors of the Company had interest in any business constituting competing business to the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, so far as was known to the directors or chief executives of the Company, the following persons (not being a director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

(Continued)

Long positions in the Shares and/or underlying Shares of the Company

Substantial Shareholders	Capacity	Total Interests in number of ordinary shares of the Company	Approximate percentage of the issued share capital of the Company (Note 8)
BE Environmental	Beneficial Owner	4,121,604,070	41.03%
Beijing Enterprises Holdings Limited ("BEHL")	Beneficial Owner/Interest of controlled corporation	4,132,107,070 (Note 1)	41.13%
MOL	Interest of controlled corporation	4,132,107,070 (Note 2)	41.13%
BEIL	Interest of controlled corporation	4,132,107,070 (Note 2)	41.13%
Beijing Enterprises Group (BVI) Company Limited ("BE Group (BVI)")	Interest of controlled corporation	4,132,107,070 (Note 3)	41.13%
Beijing Enterprises Group Company Limited ("BEGCL")	Interest of controlled corporation	4,174,239,070 (Note 4)	41.55%
Three Gorges Capital Holdings (HK) Co., Limited ("TGC HK")	Beneficial Owner	515,952,000	5.14%
Three Gorges Capital Holdings Co., Ltd ("TGC")	Interest of controlled corporation	515,952,000 (Note 5)	5.14%
Yangtze Ecology and Environment (HK) Investment Limited ("YEE HK")	Beneficial Owner	872,121,436	8.68%
Yangtze Ecology and Environment Co., Ltd. ("YEE")	Interest of controlled corporation	872,121,436 (Note 6)	8.68%
China Three Gorges Corporation ("CTG")	Interest of controlled corporation	1,588,495,436 (Note 7)	15.81%

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

(Continued)

Long positions in the Shares and/or underlying Shares of the Company *(Continued)*

Notes:

- (1) The interest disclosed comprises 10,503,000 Shares directly owned by BEHL and 4,121,604,070 Shares owned by BE Environmental. BE Environmental beneficially holds 4,121,604,070 Shares (representing approximately 41.03% in the share capital of the Company). BE Environmental is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the Shares owned by BE Environmental.
- (2) The interest disclosed comprises 10,503,000 Shares directly owned by BEHL and 4,121,604,070 Shares owned through BE Environmental. MOL and BEIL are the immediate shareholders of BEHL and collectively hold approximately 20.93% of the issued share capital of BEHL. Accordingly, each of MOL and BEIL is deemed to be interested in the Shares owned by BEHL through BE Environmental.
- (3) The interest disclosed comprises the Shares owned by BEIL and MOL (through BEHL and BE Environmental). BEHL is held directly as to approximately 41.12% by BE Group (BVI). MOL is a wholly-owned subsidiary of BEIL, which is in turn directly held as to approximately 72.72% by BE Group (BVI). Accordingly, BE Group (BVI) is deemed to be interested in the Shares indirectly owned by BEIL and MOL (through BEHL and BE Environmental).
- (4) The interest disclosed comprises the Shares owned by BE Group (BVI) as detailed in note (3) above and 42,132,000 Shares owned by BHL. BE Group (BVI) and BHL are wholly-owned subsidiaries of the BEGCL. Accordingly, BEGCL is deemed to be interested in the Shares indirectly owned by BE Group (BVI) and BHL.
- (5) The interest disclosed comprises the Shares owned by TGC HK which beneficially holds 515,952,000 Shares (representing approximately 5.14% in the share capital of the Company). TGC HK is a wholly-owned subsidiary of TGC. Accordingly, TGC is deemed to be interested in the Shares owned by TGC HK.
- (6) The interest disclosed comprises the Shares owned by YEE HK which beneficially holds 872,121,436 Shares (representing approximately 8.68% in the share capital of the Company). YEE HK is a wholly-owned subsidiary of YEE. Accordingly, YEE is deemed to be interested in the Shares owned by YEE HK.
- (7) The interest disclosed comprises (i) 515,952,000 Shares owned by TGC HK, a direct wholly-owned subsidiary of TGC which is in turn directly held as to 30% by CTG, 40% by China Three Gorges Investment Management Co., Ltd., 10% by China Three Gorges Technology Co. Ltd. and 10% by China Yangtze Power Co., Ltd. ("CYP"). CYP is directly held as to 40.68% by CTG, 3.60% by China Three Gorges Construction Engineering Corporation, a direct wholly-owned subsidiary of CTG and 10.62% by CTG and its concert parties; (ii) 200,422,000 Shares owned by China Yangtze Power International (Hongkong) Co., Ltd., a direct wholly-owned subsidiary of CYP; and (iii) 872,121,436 Shares owned by YEE HK, a direct wholly-owned subsidiary of YEE, which is in turn directly held as to 100% by CTG.
- (8) The percentage represented the number of Shares over the total issued Shares of the Company as at 31 December 2023 of 10,046,609,871 Shares.

Save as disclosed above, as at 31 December 2023, the Company had not been notified by any persons (other than the directors or the chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

REPORT OF THE DIRECTORS

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 annual report. Details of repurchases of such ordinary shares were as follows:

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

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.

EMOLUMENT POLICY

The emolument of each of Directors and employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the Laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the total issued capital of the Company was held by the public as at the date of this annual report.

RELATED PARTY TRANSACTIONS

The Group entered into certain activities with parties regarded as “Related Parties” under applicable accounting principles. These mainly relate to the activities in the ordinary course of the Group’s business and were negotiated on normal commercial terms and an arm’s length basis. Certain transactions set out in note 50 to the financial statements were connected transactions as defined under the Listing Rules and were exempt and complied with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.71 of the Listing Rules during the year are provided in the paragraph headed “Connected Transactions” as identified below.

CONNECTED TRANSACTIONS

The Group entered into the following connected transactions during the year under review:

(A) Connected Transaction with Beijing Enterprises Group Finance Co., Ltd.* 北京控股集團財務有限公司
Loan Agreement with Beijing Enterprises Group Finance Co., Ltd. 北京控股集團財務有限公司*

On 18 May 2023, Beikong (Hangzhou) Environmental Engineering Co., Ltd.* 北控(杭州)環境工程有限公司 (“Beikong Hangzhou”, a non-wholly owned subsidiary of the Company) as a borrower, entered into loan agreement with Beijing Enterprises Group Finance Co., Ltd.* 北京控股集團財務有限公司 (“BG Finance”), as lender, pursuant to which BG Finance agreed to grant the loan facility in a principal amount of RMB140,000,000 to Beikong Hangzhou.

The loan facility would be secured by the pledge of the earning right for equipment installation project based on a scale of 75,000 tons per day for the construction of the second stage of the fourth phase of Yuhang project in favour of BG Finance.

On 18 May 2023, each of BEGCL and BEHL was a connected person of the Company under the Listing Rules by virtue of each being a controlling shareholder of the Company. As each of BEGCL and BEHL beneficially owned not less than 30% equity interest in BG Finance, BG Finance was an associate of each of BEGCL and BEHL, therefore, the entering into of the loan agreement together with previous agreements entered with BG Finance within 12-month period constituted connected transaction of the Company which was subject to the reporting and announcement requirements but was exempt from the circular and the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Further details are set out in the announcement of the Company dated 18 May 2023.

* For identification purpose only

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS *(Continued)*

(B) Connected Transactions with Agricultural Bank of China Limited and/or its group companies

Loan Agreements with Agricultural Bank of China Limited (“ABC”)

- (1) On 22 March 2023, Anshan City Beishui Anda Water Development Co., Ltd.* 鞍山市北水鞍達水務發展有限公司 (“Beishui Anda”, a wholly-owned subsidiary of the Company), as borrower, entered into loan agreement with Anshan Tiedong sub-branch of Agricultural Bank of China Limited* 中國農業銀行股份有限公司鞍山鐵東支行 (“ABC, Anshan Tiedong sub-branch”), as lender, pursuant to which ABC, Anshan Tiedong sub-branch agreed to grant the loan facility in a principal amount of RMB363,880,000 to Beishui Anda.

The loan facility would be secured by the pledge of earnings right under concession agreement of Anshan City urban sewage treatment phase I project in favour of ABC, Anshan Tiedong sub-branch.

Further details are set out in the announcement of the Company dated 22 March 2023.

- (2) On 17 May 2023, Juye Beikong Chengbei Beishui Water Co., Ltd.* 巨野北控城北水務有限公司 (“Juye Beikong”, a non-wholly owned subsidiary of the Company) as a borrower, entered into loan agreement with Juye Province sub-branch of Agricultural Bank of China Limited* 中國農業銀行股份有限公司巨野縣支行 (“ABC, Juye sub-branch), as lender, pursuant to which ABC, Juye sub-branch agreed to grant the loan facility in a principal amount of RMB258,000,000 to Juye Beikong.

The loan facility would be secured by the pledge of accounts receivable from Juye Province sewage treatment construction project (Chengbei) Public Private Partnership project in favour of ABC, Juye sub-branch.

Further details are set out in the announcement of the Company dated 17 May 2023.

- (3) On 23 August 2023, Qingdao West Coast Water Co., Ltd.* 青島西海岸北控水務有限公司 (“Qingdao West Coast”, a non-wholly owned subsidiary of the Company), as borrower, entered into loan agreement with Qingdao Huangdao sub-branch of Agricultural Bank of China Limited* 中國農業銀行股份有限公司青島黃島支行 (“ABC, Qingdao Huangdao sub-branch”), Beijing Nanlishi Road sub-branch of Industrial and Commercial Bank of China Limited* 中國工商銀行股份有限公司北京南禮士路支行 and Qingdao branch of China Minsheng Banking Corp., Ltd.* 中國民生銀行股份有限公司青島分行 as lenders, pursuant to which all lenders agreed to grant the syndicated loan facility in an aggregate principal amount of not more than RMB1,253,000,000, of which ABC, Qingdao Huangdao sub-branch agreed to grant RMB550,000,000, to Qingdao West Coast.

The syndicated loan facility would be secured by the pledge of earning rights for sewage treatment under the concession agreement for the building, operation and transfer of the Fenghe Wetland Park Project in favour of ABC, Qingdao Huangdao sub-branch.

* For identification purpose only

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS *(Continued)*

(B) **Connected Transactions with Agricultural Bank of China Limited and/or its group companies** *(Continued)*

Loan Agreements with Agricultural Bank of China Limited (“ABC”) (Continued)

(3) *(Continued)*

On 23 August 2023, Zaozhuang Beikong Zhixin Water Co., Ltd.* 棗莊北控智信水務有限公司 (“Zaozhuang Zhixin”, a non-wholly owned subsidiary of the Company), as borrower, entered into the loan agreement with Zaozhuang Xincheng sub-branch of Agricultural Bank of China Limited* 中國農業銀行股份有限公司棗莊新城支行 (“ABC, Zaozhuang Xincheng sub-branch”), as lender, pursuant to which ABC, Zaozhuang Xincheng sub-branch agreed to grant the loan facility in a principal amount of RMB134,000,000 to Zaozhuang Zhixin.

The loan facility would be secured by the pledge of earning rights for supplying water of Zaozhuang Zhixin in favour of ABC, Zaozhuang Xincheng sub-branch.

Further details are set out in the announcement of the Company dated 23 August 2023.

At the date of each agreement as aforesaid, ABC Financial Asset Investment Co., Ltd 農銀金融資產投資有限公司 (“ABC Financial”), was the substantial shareholders of various subsidiaries of the Company. As ABC beneficially owned 100% equity interest in ABC Financial, ABC was an associate of ABC Financial. Hence, ABC was connected person of the Company and the entering into of the above-mentioned agreements together with previous agreements entered with ABC group within 12-month period constituted connected transactions of the Company which were subject to the reporting and announcement requirements but were exempt from the circular and the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

(C) **Continuing Connected Transactions**

(1) *2021 Deposit Services Master Agreement with BG Finance*

On 23 December 2020, the Company and BG Finance entered into 2021 deposit services master agreement (“2021 Deposit Services Master Agreement”) pursuant to which, the Group might, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time during the period from 1 January 2021 to 31 December 2023. The cumulative daily outstanding deposits balance placed by the Group with BG Finance (including any interest accrued thereon) during the terms of the 2021 Deposit Services Master Agreement would not exceed HK\$1,520 million for each of the three years ending 31 December 2021, 2022 and 2023 (the “Annual Cap”).

The 2021 Deposit Services Master Agreement was therefore expected not only to provide the Group with a new means of financing but also to improve the efficiency of the use of its funds through higher interest income and lower costs of financing. The Group also expected to be in a better position to manage the security of its funds since BG Finance was not considered to be exposed to any significant capital risk.

* For identification purpose only

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS *(Continued)*

(C) Continuing Connected Transactions *(Continued)*

(I) 2021 Deposit Services Master Agreement with BG Finance *(Continued)*

The rate at which interest would accrue on any deposit placed by the Group with BG Finance under the 2021 Deposit Services Master Agreement would not be lower than the following:

- i. the benchmark interest rate prescribed by the People's Bank of China for the same type of deposits at the same period;
- ii. the interest rates offered by commercial banks in Hong Kong and the PRC to the Group for the same type of deposits at the same period; and
- iii. the interest rates offered by BG Finance to other members of BEGCL for the same type of deposits at the same period.

On 23 December 2020, each of BEGCL and BEHL was a connected person of the Company under the Listing Rules by virtue of each being a controlling shareholder of the Company. As each of BEGCL and BEHL beneficially owned not less than 30% equity interest in BG Finance, BG Finance was an associate of each of BEGCL and BEHL, therefore, the entering into of the 2021 Deposit Services Master Agreement constituted continuing connected transactions of the Company which was subject to the reporting and announcement requirements but was exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The above continuing connected transaction was carried out within the Annual Cap, details of which are set out in note 50 to the financial statements.

(II) Deposit Services provided by Members of Agricultural Bank of China Limited

On 13 January 2020, upon completion of capital injection by ABC Financial in Beijing Enterprises (Guangxi) Holdings Co., Ltd.* 北控水務(廣西)集團有限公司 ("Bei Kong Guangxi"), a subsidiary of the Company, Bei Kong Guangxi was held as to 45.55% equity interests by ABC Financial, ABC Financial and its associates, including Agricultural Bank of China Limited and its members ("ABC Group"), became connected persons at the subsidiary level of the Company since then.

ABC Group being one of the Group's principal banking partners, the Group engaged ABC Group in respect of deposit services on a continuing and recurring basis. The maximum daily balance of deposit services (including accrued interests) of the Group with ABC Group ("ABC Deposit Services") would not exceed RMB3 billion for each of the three years ended 31 December 2020, 2021 and 2022. As the annual cap expired on 31 December 2022 and in order to regulate ABC Deposit Services that would continue to take place after 31 December 2022, the Board resolved to renew and set the annual caps for ABC Deposit Services for the three financial years ending 31 December 2023, 2024 and 2025 and the maximum daily balance of ABC Deposit Services (including accrued interests) would not exceed RMB3 billion for each of the three years ended 31 December 2023, 2024 and 2025 (the "ABC Group Annual Cap").

* For identification purpose only

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS *(Continued)*

(C) Continuing Connected Transactions *(Continued)*

(II) Deposit Services provided by Members of Agricultural Bank of China Limited (Continued)

The provision of ABC Deposit Services was essential to the Group in terms of facilitating the daily operating cash flows and securing stable and reliable financing support to the Group, therefore maintaining the financial health and assisting the business expansion of the Group in the coming years.

Pricing Principles

When determining ABC Deposit Services, the interest rates for deposit placed by the Group with ABC Group were negotiated on arm's length terms and by reference to (a) the interest rate offered by People's Bank of China (if applicable) and/or (b) the interest rates offered by other commercial banks for the same type of deposit during the same period provided to the Group.

Pursuant to the Listing Rules, the Company was required to enter into a written agreement for continuing connected transactions. However, no such written agreement had been entered into due to certain difficulties. In consideration of the difficulties in entering into a written master agreement with ABC Group, the Company had applied for, and the Stock Exchange had granted, a waiver from strict compliance with the written agreement requirement under the Listing Rules, which would apply to each continuing connected transaction in respect of deposit services, on the basis that the Company would then set annual caps for the continuing connected transactions in accordance with the Listing Rules.

ABC Deposit Services would constitute continuing connected transactions of the Company which was subject to the reporting and announcement requirements but was exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. ABC Deposit Services was carried out within ABC Group Annual Cap, details of which are set out in note 50 to the financial statements.

(III) Review by Independent Non-executive Directors and the auditors of the Company

Pursuant to Rule 14A.55 of the Listing Rules, the continuing connected transactions set out above had been reviewed by the independent non-executive Directors, who confirmed that the aforesaid continuing connected transactions were entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms; and
- (c) according to the interest rates for deposit placed by the Group based on the agreement or without agreement were fair and reasonable and in the interests of the shareholders of the Company as a whole.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS *(Continued)*

(C) Continuing Connected Transactions *(Continued)*

(III) *Review by Independent Non-executive Directors and the auditors of the Company (Continued)*

The Company's auditors, Ernst & Young, were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter had been provided to the Board.

(IV) *2024 Deposit Services Master Agreement*

As the 2021 Deposit Services Master Agreement would expire on 31 December 2023 and in order to regulate such transactions that would continue to take place after 31 December 2023, the Company and BG Finance entered into the 2024 Deposit Services Master Agreement on 20 December 2023 whereby the Company and BG Finance would continue to carry out the transactions of similar natures from time to time under the 2024 Deposit Services Master Agreement for three years from 1 January 2024 to 31 December 2026, with the terms and conditions substantially the same as those under 2021 Deposit Services Master Agreement. The daily aggregate of deposits placed by the Group with BG Finance (including any interest accrued thereon) during the terms of the 2024 Deposit Services Master Agreement shall not exceed RMB710,000,000.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution and discharge of the duties of his/her office or otherwise in relation thereto. No Director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto, provided that this Bye-laws shall only have effect in so far as its provisions are not avoided by the Companies Act 1981 of Bermuda (as amended).

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately RMB3,559,000.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" above, no equity-linked agreements were entered into by the Group, or existed during the year.

REPORT OF THE DIRECTORS

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this annual report, details of the agreements (the “Agreement(s)”) with covenants relating to specific performance of the controlling shareholder which constituted disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)/ Issuance of Notes	Nature of the Agreement(s)/Notes	Aggregate amount (million)	Final Maturity	Specific performance obligations
11 January 2019	Issuance of medium-term notes	RMB1,000	January 2029	<i>Note 1</i>
11 January 2019	Issuance of medium-term notes	RMB1,000	January 2026 <i>Note 3</i>	<i>Note 1</i>
12 May 2020	Issuance of medium-term notes	RMB1,000	5+N years <i>Note 4</i>	<i>Note 1</i>
20 January 2022	Issuance of medium-term notes	RMB1,000	January 2027 <i>Note 3</i>	<i>Note 5</i>
20 January 2022	Issuance of medium-term notes	RMB1,000	January 2027	<i>Note 5</i>
16 December 2022	Green loan facilities with a bank	HK\$4,000	December 2027	<i>Note 2</i>
23 March 2023	Issuance of medium-term notes	RMB500	March 2028 <i>Note 3</i>	<i>Note 5</i>
23 March 2023	Issuance of medium-term notes	RMB1,000	March 2028	<i>Note 5</i>
24 May 2023	Issuance of medium-term notes	RMB1,000	2+N years <i>Note 6</i>	<i>Note 5</i>
2 June 2023	Issuance of medium-term notes	RMB1,000	June 2028 <i>Note 3</i>	<i>Note 5</i>
11 August 2023	Issuance of medium-term notes	RMB500	2+N years <i>Note 6</i>	<i>Note 5</i>
11 August 2023	Issuance of medium-term notes	RMB500	3+N years <i>Note 7</i>	<i>Note 5</i>
12 March 2024	Issuance of medium-term notes	RMB1,000	March 2027	<i>Note 5</i>
18 March 2024	Green loan facilities with a bank	RMB2,350	1+2 years <i>Note 8</i>	<i>Note 2</i>

REPORT OF THE DIRECTORS

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER *(Continued)*

Notes:

- (1) (i) BEHL owns or controls at least 35% of the voting rights in the Company; (ii) BEHL supervises the Company; (iii) BEHL is directly or indirectly the single largest shareholder of the Company; and/or (iv) the nominees of BEHL comprise the majority of the Board.
- (2) (i) BEHL owns, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of voting rights in the Company, free from any security; (ii) BEHL supervises the Company and/or have management control over the Company; (iii) BEHL is directly or indirectly the single largest shareholder of the Company; (iv) BEGCL owns, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any security; (v) BEGCL is directly or indirectly the single largest shareholder of BEHL or supervises BEHL; and (vi) BEGCL is effectively wholly-owned, supervised and controlled by the People's Government of Beijing Municipality* (北京市人民政府) ("Beijing Municipality").
- (3) Two years prior to the maturity pursuant to the terms and conditions in the medium-term notes, the Company shall be entitled to adjust the coupon rate of the medium-term notes and the note holders shall be entitled to sell back the medium-term notes to the Company.
- (4) The reset date of each coupon rate is the redemption date. The Company has the right to choose to redeem the principal at the face value plus accrued interest on the first reset date of the coupon rate of the medium-term note and every subsequent interest payment date. The reset date of coupon rate is the corresponding day of every five years from the first reset date of coupon rate. The end of the fifth interest-bearing year is the first reset date of coupon rate. From the sixth interest bearing year, the coupon rate is reset every five years.
- (5) (i) BEGCL owns or controls, directly or indirectly, at least 35% of the voting rights of the Company; (ii) BEGCL supervises the Company; (iii) BEGCL is directly or indirectly the single largest shareholder of the Company; and (iv) the nominees of BEGCL comprise the majority of the members of the Board.
- (6) The reset date of each coupon rate is the redemption date. The Company has the right to choose to redeem the principal at the face value plus accrued interest on the first reset date of the coupon rate of the medium-term note and every subsequent interest payment date. The reset date of coupon rate is the corresponding day of every two years from the first reset date of coupon rate. The end of the second interest-bearing year is the first reset date of coupon rate. From the third interest-bearing year, the coupon rate is reset every two years.
- (7) The reset date of each coupon rate is the redemption date. The Company has the right to choose to redeem the principal at the face value plus accrued interest on the first reset date of the coupon rate of the medium-term note and every subsequent interest payment date. The reset date of coupon rate is the corresponding day of every three years from the first reset date of coupon rate. The end of the third interest-bearing year is the first reset date of coupon rate. From the fourth interest-bearing year, the coupon rate is reset every three years.
- (8) The maturity date of each tranche of the facilities is 364 days after the first utilization date of each tranche of facilities, and each tranche of the facilities is extendable twice for one-year term at the discretion of the bank.

* For identification purposes only

According to the respective terms and conditions of the Agreements, breach of the above specific performance obligations will constitute events of default. If an event of default occurs, (a) the bank or syndicate of banks may declare any commitment under the Agreements to be cancelled and/or declare all outstanding amounts together with interest accrued thereon and all others sums to be immediately due and payable or payable on demand; or (b) the Company may be required to redeem the medium-term notes after conclusion of the meeting of the noteholders; or (c) holders of medium-term notes may have the option to sell back the medium-term notes to the Company.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company is committed to maintaining 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.

The corporate governance report is set out on pages 34 to 54 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Company confirms that all of the Directors have complied with, for any part of the accounting period covered by this annual report, the required standard set out in the Model Code.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

EVENT AFTER THE REPORTING PERIOD

There is no significant event after the reporting period of the Group.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Group for the year ended 31 December 2023 were approved by the board of directors on 26 March 2024.

On behalf of the Board

Xiong Bin
CHAIRMAN

Hong Kong
26 March 2024

INDEPENDENT AUDITOR'S REPORT



To the shareholders of Beijing Enterprises Water Group Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Enterprises Water Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 98 to 266, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Determination of fair value of contract revenue in respect of the construction services rendered

Revenue from the construction of sewage and reclaimed water treatment and water distribution plants under the terms of Build-Operate-Transfer (“BOT”) contracts represented approximately 18.5% of total revenue for the year ended 31 December 2023 and was accounted for under HK(IFRIC) Interpretation 12 *Service Concession Arrangements*. The revenue was estimated on a cost-plus basis with reference to a prevailing market rate of profit margin at the date of the agreement applicable to similar construction services rendered in a similar location. The Group engaged an external valuer to support its estimation of the gross profit margin for the construction revenue. Significant management judgement was involved in determining the construction margins for these construction services.

Disclosure of the determination of the fair value of construction contract revenue is included in note 4 to the financial statements.

We obtained an understanding of the Group's BOT process and considered the objectivity, independence and competency of the external valuer engaged by the Group. In addition, we involved our internal valuation specialists to assist us in assessing the reasonableness of the bases and assumptions adopted in the valuation. Our procedures included discussions with management and the external valuer about the parameters used in estimating the Group's construction margins, including the benchmarks made to other comparable companies. We also performed a comparison of the inputs used in the valuation to external market data.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter

How our audit addressed the key audit matter

Provision for expected credit losses on receivables under service concession arrangements, trade and other receivables and amounts due from contract customers

The Group had significant receivables under service concession arrangements, trade and other receivables and amounts due from contract customers with an aggregate carrying amount of approximately RMB113.2 billion, which represented 68.4% of the Group's total assets as at 31 December 2023. The provision for expected credit losses ("ECL") of these assets carried as at 31 December 2023 was approximately RMB1.9 billion in aggregate.

Management engaged an independent specialist to assist the Group in the calculation of the ECL. The Group considers the available information which includes information about past events, current conditions and forecasts of future economic conditions to estimate the ECL.

We identified the ECL assessment of receivables under service concession arrangements, trade and other receivables and amounts due from contract customers as a key audit matter because of the significant balances, and significant management judgements and estimates were involved in determining the ECL.

Relevant disclosures are included in notes 4, 18, 25, 26 and 27(d) to the financial statements.

We obtained an understanding of the Group's credit risk management and practices, and assessed the Group's policy on determining ECL, including an evaluation of management judgements on (i) the level of disaggregation of categories for assessment; (ii) the use of available credit risk information including historical and forward-looking factors; and (iii) the criteria for determining if a significant increase in credit risk occurred.

We obtained and reviewed the valuation established by management which is based on the relevant credit risk of the debtors and, with the support of the external specialist, adjusted for forward-looking factors specific to the debtors and the economic environment. We also evaluated, on a sample basis, the settlement status subsequent to the reporting period.

We assessed the competence, objectivity and independence of the Group's external specialist.

We involved our internal valuation specialists to assist us in evaluating the Group's estimation methodology of ECL and inspecting the parameters with reference to external available data sources.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter

How our audit addressed the key audit matter

Impairment testing of goodwill

Management is required to perform impairment testing of goodwill at least on an annual basis. The testing is largely based on management's expectations, assumptions and estimates of future results of the cash-generating units to which the goodwill has been allocated. The Group engages an external valuer to assist the Group with the impairment assessment by preparing the valuation models. The assumptions are affected by expectations of future market or economic conditions. The impairment testing is based on the recoverable amounts of the relevant cash-generating units, which are compared with their respective carrying values. As at 31 December 2023, the amount of goodwill carried in the Group's financial statements was approximately RMB3.6 billion.

Disclosures of goodwill are included in notes 4 and 17 to the financial statements.

We obtained an understanding of the Group's methodology for impairment testing and involved our internal valuation specialists in evaluating the valuation models, assumptions and parameters used by the valuer and the Group. Our procedures included testing the assumptions used in the cash flow forecast and assessing the accuracy of previous forecasts by comparing with the current performance. We also assessed the disclosures on the impairment testing, specifically the key assumptions that have the most significant effect on the determination of the recoverable amount of the goodwill, such as the discount rate and growth rate.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Leung Yin.

Ernst & Young

Certified Public Accountants

Hong Kong

26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000 (restated)
REVENUE	6	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	6	878,085	972,039
Other income and gains, net	6	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	7	6,644,264	5,345,680
Finance costs	8	(3,260,857)	(2,745,678)
Share of profits and losses of:			
Joint ventures	20	561,184	560,747
Associates	21	83,848	104,708
PROFIT BEFORE TAX		4,028,439	3,265,457
Income tax expense	11	(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	13		
– 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 RMB'000	2022 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	(1,142,737)	(2,670,829)
<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	(50,928)	(357,083)
	150,686	320,005
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	(992,051)	(2,350,824)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	2,072,276	(15,653)
ATTRIBUTABLE TO:		
Shareholders of the Company	927,899	(1,132,087)
Holders of perpetual capital instruments	92,656	92,650
Non-controlling interests	1,051,721	1,023,784
	2,072,276	(15,653)

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)
	<i>Notes</i>			
ASSETS				
Non-current assets:				
Property, plant and equipment	14	8,360,005	7,836,726	4,223,381
Right-of-use assets	16	814,364	838,780	465,280
Investment properties	15	462,193	617,453	715,550
Goodwill	17	3,617,399	3,581,350	3,455,258
Operating concessions	18	10,498,688	9,509,406	8,302,807
Other intangible assets	19	426,354	402,452	331,102
Investments in joint ventures	20	10,212,105	9,337,069	8,988,474
Investments in associates	21	3,314,331	3,328,765	5,359,388
Equity investments designated at fair value through other comprehensive income	23	740,593	792,769	960,571
Financial assets at fair value through profit or loss	22	10,105	–	42,860
Amounts due from contract customers	25	22,465,190	19,976,725	29,729,499
Receivables under service concession arrangements	18	51,069,854	51,454,050	43,638,867
Trade receivables	26	11,531,631	11,306,850	9,803,972
Prepayments, deposits and other receivables	27	1,197,291	1,385,924	1,753,865
Deferred tax assets	39	388,254	387,791	332,044
Total non-current assets		125,108,357	120,756,110	118,102,918
Current assets:				
Inventories	24	355,319	343,453	196,793
Amounts due from contract customers	25	3,828,172	3,864,316	3,114,961
Receivables under service concession arrangements	18	7,967,191	6,853,459	4,528,633
Trade receivables	26	9,800,179	9,693,573	7,290,535
Prepayments, deposits and other receivables	27	7,985,547	8,160,606	8,140,391
Restricted cash and pledged deposits	29	233,267	495,926	392,744
Cash and cash equivalents	29	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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000 (restated)	As at 1 January 2022 RMB'000 (restated)
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Issued capital	30	834,250	834,250	842,375
Perpetual capital instruments	34	2,991,002	997,361	997,361
Reserves	33	27,557,155	28,014,812	30,989,327
		31,382,407	29,846,423	32,829,063
Perpetual capital instruments	34	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	41	691,828	682,516	662,185
Bank and other borrowings	35	49,907,792	48,638,010	37,590,773
Corporate bonds	36	11,970,977	9,519,301	13,818,151
Lease liabilities	16	174,294	194,097	88,780
Provision for major overhauls	37	524,374	365,668	247,776
Deferred income	38	914,014	1,061,907	1,221,270
Deferred tax liabilities	39	4,677,768	4,430,626	4,078,425
Total non-current liabilities		68,861,047	64,892,125	57,707,360

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000 (restated)	As at 1 January 2022 RMB'000 (restated)
Current liabilities:				
Trade payables	40	20,716,853	19,921,518	20,558,366
Other payables and accruals	41	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	35	10,366,940	7,528,287	8,881,791
Corporate bonds	36	1,998,952	6,558,304	122,698
Notes payable		–	–	1,999,642
Lease liabilities	16	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

Xiong Bin
Director

Zhou Min
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

Notes	Attributable to shareholders of the Company															Total equity RMB'000	
	Issued capital	Share premium account	Contributed surplus	Shares held under share award scheme	Share option and share award reserve	Capital reserve	Property revaluation reserve	Fair value reserve	Defined benefit plan reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits	Perpetual capital instruments	Total	Perpetual capital instruments		Non-controlling interests
	RMB'000	RMB'000	RMB'000	RMB'000 (note 32)	RMB'000 (note 33 (b))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
At 1 January 2023	834,250	2,323,393	3,028,266	(137,231)	141,508	(1,532,547)	104,285	(481,643)	(44,662)	(1,918,149)	3,237,968	23,288,962	997,361	29,841,761	2,485,377	19,875,500	52,202,638
Effect of adoption of amendments to HKAS 12 (note 3.2(c))	-	-	-	-	-	-	-	-	-	(24)	-	4,686	-	4,662	-	-	4,662
At 1 January 2023 (restated)	834,250	2,323,393	3,028,266	(137,231)	141,508	(1,532,547)	104,285	(481,643)	(44,662)	(1,918,173)	3,237,968	23,293,648	997,361	29,846,423	2,485,377	19,875,500	52,207,300
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	1,825,397	70,284	1,895,681	92,656	1,075,990	3,064,327
Other comprehensive income/(loss) for the year:																	
Exchange fluctuation reserve of foreign operations	-	-	-	-	-	-	-	-	-	(1,118,468)	-	-	-	(1,118,468)	-	(24,269)	(1,142,737)
Exchange fluctuation reserve of the Company	-	-	-	-	-	-	-	-	-	193,937	-	-	-	193,937	-	-	193,937
Changes in fair value of equity investments designated at fair value through other comprehensive loss	-	-	-	-	-	-	-	(50,928)	-	-	-	-	-	(50,928)	-	-	(50,928)
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	-	-	7,677	-	-	-	-	7,677	-	-	7,677
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	(50,928)	7,677	(924,531)	-	1,825,397	70,284	927,899	92,656	1,051,721	2,072,276
Issuance of perpetual capital instruments 34	-	-	-	-	-	-	-	-	-	-	-	-	1,993,641	1,993,641	-	-	1,993,641
Exercise of share awards 32	-	-	-	91,998	(55,465)	-	-	-	-	-	-	(36,533)	-	-	-	-	-
Equity-settled share award arrangements 32(b)	-	-	-	-	22,678	-	-	-	-	-	-	-	-	22,678	-	-	22,678
Share of reserves of associates	-	-	-	-	165	80,655	-	-	-	-	-	-	-	80,820	-	-	80,820
Share of reserves of joint ventures	-	-	-	-	-	816	-	-	-	-	-	-	-	816	-	-	816
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(661,530)	(661,530)
Lapse of share options	-	-	-	-	(95,241)	-	-	-	-	-	-	95,241	-	-	-	-	-
Distributions declared to holders of perpetual capital instruments 34	-	-	-	-	-	-	-	-	-	-	-	-	(70,284)	(70,284)	(92,656)	-	(162,940)
Final 2022 cash dividends paid 12	-	-	-	-	-	-	-	-	-	-	-	(786,650)	-	(786,650)	-	-	(786,650)
Interim 2023 cash dividends paid 12	-	-	-	-	-	-	-	-	-	-	-	(632,936)	-	(632,936)	-	-	(632,936)
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	475,985	(475,985)	-	-	-	-	-
At 31 December 2023	834,250	2,323,393*	3,028,266*	(45,233)*	13,645*	(1,451,076)*	104,285*	(532,571)*	(36,985)*	(2,842,704)*	3,713,953*	23,282,182*	2,991,002	31,382,407	2,485,377	20,265,691	54,133,475

* These reserve accounts comprise the consolidated reserves of RMB27,557,155,000 (2022: RMB28,014,812,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

Notes	Attributable to shareholders of the Company															Total equity RMB'000	
	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Shares held under share award scheme RMB'000 (note 32)	Share option and share award reserve RMB'000 (note 33 (b))	Capital reserve RMB'000	Property revaluation reserve RMB'000	Fair value reserve RMB'000	Defined benefit plan reserve RMB'000	Exchange fluctuation reserve RMB'000	PRC reserve funds RMB'000 (note 33 (c))	Retained profits RMB'000	Perpetual capital instrument RMB'000	Total RMB'000	Perpetual capital instruments RMB'000		Non-controlling interests RMB'000
At 1 January 2022	842,375	2,464,107	3,028,266	(100,735)	105,077	(1,063,549)	104,285	(124,560)	(40,532)	34,185	2,791,293	23,786,518	997,361	32,824,091	2,485,377	16,797,681	52,107,149
Effect of adoption of amendments to HKAS 12 (note 3.2(c))	-	-	-	-	-	-	-	-	-	(54)	-	5,026	-	4,972	-	-	4,972
At 1 January 2022 (restated)	842,375	2,464,107	3,028,266	(100,735)	105,077	(1,063,549)	104,285	(124,560)	(40,532)	34,131	2,791,293	23,791,544	997,361	32,829,063	2,485,377	16,797,681	52,112,121
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	1,142,362	39,068	1,181,430	92,650	1,061,091	2,335,171
Other comprehensive income/(loss) for the year:																	
Exchange fluctuation reserve of foreign operations	-	-	-	-	-	-	-	-	-	(2,633,522)	-	-	-	(2,633,522)	-	(37,307)	(2,670,829)
Exchange fluctuation reserve of the Company	-	-	-	-	-	-	-	-	-	681,218	-	-	-	681,218	-	-	681,218
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	(357,083)	-	-	-	-	-	(357,083)	-	-	(357,083)
Share of other comprehensive loss of a joint venture	-	-	-	-	-	-	-	-	(4,130)	-	-	-	-	(4,130)	-	-	(4,130)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	-	(357,083)	(4,130)	(1,952,304)	-	1,142,362	39,068	(1,132,087)	92,650	1,023,784	(15,653)
Exercise of share awards	32	-	-	434	(364)	-	-	-	-	-	-	(70)	-	-	-	-	-
Equity-settled share award arrangements	32(b)	-	-	-	36,517	-	-	-	-	-	-	-	-	36,517	-	-	36,517
Shares purchased for share award scheme	32(a)	-	-	(36,930)	-	-	-	-	-	-	-	-	-	(36,930)	-	-	(36,930)
Share of reserves of associates	-	-	-	-	278	(468,998)	-	-	-	-	-	-	-	(468,720)	-	-	(468,720)
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(330,310)	(330,310)
Capital contributions from non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	92,931	92,931
Acquisition of subsidiaries	44	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,315,228	2,315,228
Disposal of subsidiaries	45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,814)	(23,814)
Shares repurchased and cancelled	30	(8,125)	(140,714)	-	-	-	-	-	-	-	-	-	-	(148,839)	-	-	(148,839)
Distributions declared to holders of perpetual capital instruments	34	-	-	-	-	-	-	-	-	-	-	-	(39,068)	(39,068)	(92,650)	-	(131,718)
Final 2021 cash dividends paid	-	-	-	-	-	-	-	-	-	-	-	(584,026)	-	(584,026)	-	-	(584,026)
Interim 2022 cash dividends paid	12	-	-	-	-	-	-	-	-	-	-	(609,487)	-	(609,487)	-	-	(609,487)
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	446,675	(446,675)	-	-	-	-	-
At 31 December 2022	834,250	2,323,393*	3,028,266*	(137,231)*	141,508*	(1,532,547)*	104,285*	(481,643)*	(44,662)*	(1,918,173)*	3,237,968*	23,293,648*	997,361	29,846,423	2,485,377	19,875,500	52,207,300

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,028,439	3,265,457
Adjustments for:			
Bank interest income	6	(190,409)	(238,344)
Interest income on trade and other receivables with extended credit periods	6	(668,288)	(719,612)
Interest income on loans to joint ventures	6	(19,388)	(12,106)
Interest income on loans to an associate	6	–	(1,977)
Dividend income from equity investments at fair value through other comprehensive income	6	(10,150)	(19,377)
Fair value loss on investment properties	7	–	35,269
Gain on bargain purchase of subsidiaries	6	–	(160,550)
Loss on disposal of subsidiaries, net	7	107,518	35,223
(Gain)/loss on disposal of joint ventures, net	6, 7	(115)	58,768
Loss on deemed disposal of partial interest in an associate	7	–	938,220
Loss on remeasurement of a then associate	7	–	148,746
Loss on early redemption of asset-backed note	7	–	15,035
Loss on disposal of receivables under service concession arrangements	7	125,128	190,626
Gain on modification of a lease	6	(1,586)	(2,620)
Depreciation of right-of-use assets	7	79,404	66,674
Depreciation of property, plant and equipment	7	806,542	575,658
Amortisation of operating concessions	7	704,741	498,699
Amortisation of other intangible assets	7	51,344	54,956
Impairment of receivables under service concession arrangements, net	7	46,407	22,851
Impairment of amounts due from contract customers, net	7	76,013	118,306
Impairment of trade receivables, net	7	119,998	123,969
Impairment/(reversal of impairment) of other receivables, net	7	(104,985)	248,379
(Reversal of write-down)/write-down of inventories to net realisable value	7	(1,901)	6,396
Provision for major overhauls	7	295,542	257,014
Loss/(gain) on disposal of items of property, plant and equipment, net	7	(12,329)	4,175
Equity-settled share award expenses	7	22,678	36,517
Finance costs	8	3,412,780	2,859,352
Share of profits and losses of joint ventures		(561,184)	(560,747)
Share of profits and losses of associates		(83,848)	(104,708)
Operating profit before working capital changes		8,222,351	7,740,249

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
Operating profit before working capital changes		8,222,351	7,740,249
Increase in inventories		(9,682)	(63,962)
Decrease/(increase) in amounts due from contract customers		(3,954,210)	6,566,723
Increase in receivables under service concession arrangements		(279,313)	(9,339,026)
Decrease/(increase) in trade receivables		268,088	(2,184,431)
Decrease/(increase) in prepayments, deposits and other receivables		(305,471)	904,386
Increase/(decrease) in trade payables		826,790	(832,872)
Increase/(decrease) in other payables and accruals		(1,196,760)	504,767
Utilisation of provision for major overhauls	37	(251,178)	(226,393)
Cash generated from operations		3,320,615	3,069,441
Chinese mainland corporate income tax paid		(623,434)	(687,489)
Overseas taxes paid		(75,131)	(48,738)
Net cash flows from operating activities		2,622,050	2,333,214

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(1,412,087)	(398,079)
Purchases of leasehold land		(21,672)	(27,480)
Additions of operating concessions		(661,094)	(302,328)
Additions of other intangible assets	<i>19</i>	(75,269)	(158,361)
Acquisition of subsidiaries	<i>44</i>	(127,563)	866,960
Disposal of subsidiaries	<i>45</i>	45,047	(37,035)
Proceeds from disposal of other intangible assets		235	40,917
Proceeds from disposal of items of property, plant and equipment		315,908	143,318
Proceeds from disposal of equity investments designated at fair value through other comprehensive income	<i>23</i>	9,852	16,704
Acquisition of/increase in investments in joint ventures, net		(329,553)	(88,385)
Acquisition of/increase in investments in associates		(14,320)	(364,692)
Purchases of equity investments designated at fair value through other comprehensive income		(3,083)	(178,841)
Decrease in time deposits with maturity of more than three months when acquired		27,151	14,248
Decrease/(increase) in restricted cash and pledged deposits		262,659	(72,753)
Early redemption of an asset-backed note		–	(617,570)
Proceeds from redemption of an asset-backed note		–	27,824
Dividends received from joint ventures		261,074	110,104
Dividends received from equity instruments at fair value through other comprehensive income		10,150	19,377
Bank interest received		190,409	238,344
Net cash flows used in investing activities		(1,522,156)	(767,728)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from non-controlling equity holders		–	92,931
Issuance of corporate bonds		4,493,078	1,954,073
Issuance of perpetual capital instruments	34	1,993,641	–
Repayment of corporate bonds		(6,673,712)	(123,228)
Repayment of a note payable		–	(2,000,000)
Distributions to holders of perpetual capital instruments	34	(132,371)	(132,297)
New bank and other borrowings		26,485,872	21,763,885
Repayment of bank and other borrowings		(23,000,589)	(15,631,812)
Shares purchased for the share award scheme		–	(36,930)
Shares repurchased		–	(148,839)
Principal portion of lease payments		(68,824)	(61,677)
Interest element of lease payments		(10,541)	(10,049)
Interest paid		(3,348,275)	(2,787,777)
Dividends paid		(1,419,586)	(1,193,513)
Dividends paid to non-controlling equity holders		(661,530)	(330,310)
Net cash flows from financing activities		(2,342,837)	1,354,457
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		11,542,595	8,756,655
Effect of foreign exchange rate changes, net		(98,946)	(134,003)
CASH AND CASH EQUIVALENTS AT END OF YEAR		10,200,706	11,542,595
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	29	10,215,161	11,584,201
Less: Time deposits with maturity of more than three months when acquired		(14,455)	(41,606)
Cash and cash equivalents as stated in the consolidated statement of cash flows		10,200,706	11,542,595

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

Beijing Enterprises Water Group Limited (the “Company” or “BEWG”) is a limited liability company incorporated in Bermuda and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the year, the Company and its subsidiaries (collectively the “Group”) were involved in the following principal activities:

- construction of sewage and reclaimed water treatment and seawater desalination plants, and provision of construction services for comprehensive renovation projects in the mainland (“Chinese Mainland”) of the People’s Republic of China (the “PRC”), Malaysia, Australia and the Republic of Botswana;
- provision of sewage and reclaimed water treatment services in Chinese Mainland, the Republic of Singapore (“Singapore”), the Portuguese Republic (“Portugal”), Australia and New Zealand;
- distribution and sale of piped water in Chinese Mainland, Portugal and Australia;
- provision of technical and consultancy services and sale of machineries related to sewage treatment and construction services for comprehensive renovation projects in Chinese Mainland and Australia;
- licensing of technical know-how related to sewage treatment in Chinese Mainland; and
- provision of urban services and hazardous waste treatment services in Chinese Mainland.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries

(a) Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
深圳北控創新投資有限公司 [#]	PRC/Chinese Mainland	RMB300,000,000	–	64.41	Sewage treatment
深圳北控豐泰投資有限公司 [#]	PRC/Chinese Mainland	RMB70,000,000	–	64.41	Sewage treatment
綿陽中科成污水淨化有限公司 [#]	PRC/Chinese Mainland	RMB40,000,000	–	64.41	Sewage treatment
廣州中業污水處理有限公司 [#]	PRC/Chinese Mainland	RMB85,000,000	–	64.41	Sewage treatment
江油中科成污水淨化有限公司 [#]	PRC/Chinese Mainland	RMB8,000,000	–	64.41	Sewage treatment
成都雙流中科成污水淨化有限公司 [#]	PRC/Chinese Mainland	RMB30,000,000	–	64.41	Sewage treatment
青島膠南中科成污水淨化有限公司 [#]	PRC/Chinese Mainland	RMB30,000,000	–	64.41	Sewage treatment
青島中科成污水淨化有限公司	PRC/Chinese Mainland	RMB84,056,142/ RMB130,146,140	–	94.53	Sewage treatment
廣州中科成污水淨化有限公司 [#]	PRC/Chinese Mainland	RMB40,000,000	–	64.41	Sewage treatment
台州市路橋中科成污水淨化有限公司 [#]	PRC/Chinese Mainland	RMB55,500,000	–	64.41	Sewage treatment
成都龍泉中科成污水淨化有限公司 [#]	PRC/Chinese Mainland	RMB27,600,000	–	64.41	Sewage treatment
荷澤中科成污水淨化有限公司 [#]	PRC/Chinese Mainland	RMB30,000,000	–	64.41	Sewage treatment
濟南中科成水質淨化有限公司 [#]	PRC/Chinese Mainland	RMB20,000,000	–	64.41	Sewage treatment
彭州中科成污水淨化有限公司 [#]	PRC/Chinese Mainland	RMB50,000,000	–	64.41	Sewage treatment
佛山市三水中科成水質淨化有限公司 [#]	PRC/Chinese Mainland	RMB76,000,000	–	64.41	Sewage treatment
永州市北控污水淨化有限公司 ^Ω	PRC/Chinese Mainland	HK\$85,630,000	100	–	Sewage treatment
清鎮市北控水務有限公司	PRC/Chinese Mainland	RMB26,500,000	–	60	Sewage treatment
海南北控水務有限公司	PRC/Chinese Mainland	RMB5,000,000	–	100	Sewage treatment
昆明空港北控水務有限公司	PRC/Chinese Mainland	RMB53,090,000	–	100	Sewage treatment
玉溪北控城投水質淨化有限公司	PRC/Chinese Mainland	RMB91,380,000	–	100	Sewage treatment
北控水務集團(海南)有限公司 [#]	PRC/Chinese Mainland	RMB131,710,300/ RMB1,000,000,000	–	57.97	Sewage treatment
百色中環水業有限公司 ^Ω	PRC/Chinese Mainland	HK\$20,000,000	–	100	Sewage treatment

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

(a) Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Company name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
齊齊哈爾市北控污水淨化有限公司	PRC/Chinese Mainland	RMB56,000,000	–	100	Sewage treatment
錦州市北控水務有限公司 [□]	PRC/Chinese Mainland	RMB127,178,539	80	–	Sewage treatment and reclaimed water treatment
廣西貴港北控水務有限公司	PRC/Chinese Mainland	RMB83,184,898	–	41.21*	Sewage treatment and water distribution
Be Water S.A.	Portugal	€11,987,000	–	100	Sewage treatment and water distribution
北京北控污水淨化及回用有限公司	PRC/Chinese Mainland	RMB26,360,000	–	100	Reclaimed water treatment
成都北控蜀都投資有限公司 [#] ("Beikong Shudu")	PRC/Chinese Mainland	RMB567,035,714	–	44.12*	Sewage treatment
北京建工環境發展有限責任公司 [#] ("BCEG Environmental")	PRC/Chinese Mainland	RMB690,000,000	–	38.65*	Investment holding
BEWG (M) Sdn Bhd	Malaysia	MYR75,000,000	–	100	Construction services
昆明捷運泰富環保工程有限公司 [□]	PRC/Chinese Mainland	RMB100,000,000	–	70	Construction services
昆明捷運路橋發展有限公司 [□]	PRC/Chinese Mainland	RMB150,000,000	–	70	Construction services
北控(洛陽)水環境開發有限公司	PRC/Chinese Mainland	RMB300,000,000	–	100	Construction services
北京北控淨都水環境治理有限公司	PRC/Chinese Mainland	RMB250,000,000	–	60	Construction services
佛山北控水環境開發有限公司 [□]	PRC/Chinese Mainland	RMB100,000,000	–	70	Construction services
簡陽鴻琛建設工程有限公司	PRC/Chinese Mainland	RMB250,000,000	–	60	Construction services
濱州北控西海水務有限公司 [#]	PRC/Chinese Mainland	RMB50,000,000	–	53.98	Water distribution
遵義北控水務有限公司 [□]	PRC/Chinese Mainland	RMB50,236,000	80	–	Water distribution
德清達閩制水有限公司 [□]	PRC/Chinese Mainland	US\$11,960,000	–	100	Water distribution

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

(a) Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Company name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BEWGI-UE NEWater (S) Pte Ltd	Singapore	SGD100,000	–	80	Reclaimed water treatment
泉州安平供水有限公司 [□]	PRC/Chinese Mainland	US\$6,600,000	–	100	Water distribution
雲南北控水務有限公司	PRC/Chinese Mainland	RMB180,000,000	–	100	Investment holding
北控中科成環保集團有限公司 [#] ("BEWG Environmental")	PRC/Chinese Mainland	RMB1,036,441,317/ RMB1,737,821,244	–	64.41	Consultancy services and investment holding
南京市市政設計研究院有限責任公司	PRC/Chinese Mainland	RMB60,000,000	–	99.17	Consultancy services
北控水務(中國)投資有限公司 [□]	PRC/Chinese Mainland	US\$500,000,000	100	–	Investment holding and consultancy services
上海北控亞同水務投資有限公司 [#]	PRC/Chinese Mainland	RMB100,000,000	–	64.41	Investment holding
北控(鞍山)水務有限公司	PRC/Chinese Mainland	RMB65,000,000	–	100	Sewage treatment
阜新市北控水務有限公司	PRC/Chinese Mainland	RMB40,000,000	–	100	Sewage treatment
北控(洛陽)水務發展有限公司	PRC/Chinese Mainland	RMB800,000,000	–	70	Sewage treatment
廣東鶴山北控水務有限公司	PRC/Chinese Mainland	RMB78,330,000	–	70	Water distribution
成都青白江中科成污水淨化有限公司 [#]	PRC/Chinese Mainland	RMB40,000,000	–	64.41	Sewage treatment
錦州市小凌河北控水務有限公司	PRC/Chinese Mainland	RMB66,500,000	–	100	Sewage treatment
廣安北控廣和水務有限公司 [#]	PRC/Chinese Mainland	RMB70,000,000	–	64.41	Water distribution
北京稻香水質淨化有限公司 [#]	PRC/Chinese Mainland	RMB58,000,000	–	64.41	Reclaimed water treatment
東莞市德高水務有限公司 [□]	PRC/Chinese Mainland	RMB30,000,000	–	100	Sewage treatment
北控彭州自來水有限公司 [#]	PRC/Chinese Mainland	RMB73,600,000	–	45.09*	Water distribution
北控南陽水務集團有限公司 [#]	PRC/Chinese Mainland	RMB102,626,900/ RMB135,524,034	–	28.28*	Water distribution

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

(a) Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Company name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
永州市水務運營發展有限責任公司	PRC/Chinese Mainland	RMB363,672,900/ RMB473,213,300	–	49*	Water distribution
成都北控陽安水環境治理有限公司	PRC/Chinese Mainland	RMB567,000,000	–	56.98	Construction services
北控(濟源)污水淨化有限公司	PRC/Chinese Mainland	RMB166,330,000	–	100	Sewage treatment
淇縣北控供水有限公司 [#]	PRC/Chinese Mainland	RMB10,000,000	–	51.53	Water distribution
淮安市水利勘測設計研究院有限公司	PRC/Chinese Mainland	RMB50,000,000	–	70	Consultancy services
平陰北控水環境開發有限公司	PRC/Chinese Mainland	RMB280,000,000	–	90	Construction services
鄒平北控水務有限公司 [#]	PRC/Chinese Mainland	RMB407,200,000	–	38.65*	Water distribution
瀘州北控環保工程投資有限公司 [#]	PRC/Chinese Mainland	RMB100,000,000	–	57.97	Construction services
內蒙古科源水務有限公司	PRC/Chinese Mainland	RMB177,100,000	–	67	Water distribution
北控(成都雙流)水務有限公司	PRC/Chinese Mainland	RMB193,403,230/ RMB220,013,000	–	100	Sewage treatment
廣州增城北控水處理有限公司	PRC/Chinese Mainland	RMB190,000,000	–	90	Sewage treatment
北控(杭州)環境工程有限公司	PRC/Chinese Mainland	RMB747,000,000/ RMB747,000,000	99.72	–	Construction services and sewage treatment
TRILITY Group PTY Ltd. (“Trility”)	Australia	AUD209,100,000	–	100	Investment holding
廣州增城北控水質淨化有限公司	PRC/Chinese Mainland	RMB85,740,000	–	99.9	Sewage treatment
衡水京成水環境有限公司	PRC/Chinese Mainland	RMB242,234,996/ RMB249,726,800	–	78.78	Construction service
攀枝花北控水務有限公司 [#]	PRC/Chinese Mainland	RMB100,000,000	–	41.87*	Sewage treatment
北控(蘭考縣)污水處理有限公司	PRC/Chinese Mainland	RMB120,500,000	–	100	Sewage treatment
濰坊北控水務發展有限公司	PRC/Chinese Mainland	RMB106,211,173/ RMB130,000,000	–	100	Sewage treatment

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

(a) Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

Company name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
北控城市資源集團有限公司 Beijing Enterprises Urban Resources Group Limited ("BEURG")	Cayman Islands	HK\$360,000,000	41.06 [^]	–	Urban services, hazardous waste treatment services and sale of recycling and reuse products
Orgo Investments S.a.r.l	Luxembourg	EUR12,500	–	100	Investment holding
BEWG (PT) S.A.	Portugal	EUR50,000	–	100	Sewage treatment and investment holding
瀋陽紅菱姚千污水處理有限公司	PRC/Chinese Mainland	RMB28,483,795	–	99.9	Sewage treatment
北京稻香水資源科技有限公司 [□]	PRC/Chinese Mainland	RMB125,921,300	100	–	Reclaimed water treatment
合肥龍崗自來水有限公司	PRC/Chinese Mainland	RMB50,000,000	–	70	Water distribution

[□] These entities are registered as wholly-foreign-owned enterprises under PRC law

[®] These entities are registered as Chinese-Foreign Equity Joint Venture enterprises under PRC law

^{*} These entities are accounted for as subsidiaries by virtue of the Company's control over the board of directors, which is the highest authority in these entities

[^] In May 2022, the Group entered into an acting in concert agreement with certain third parties ("Acting In Concert Parties") with 12.93% of the issued share capital of BEURG, a then 31.23% associate of the Group. Pursuant to the acting in concert agreement, each of the Acting In Concert Parties irrevocably and unconditionally undertook to the Group that it would act in concert with the Group with respect to BEURG whereby each of the Acting In Concert Parties would vote in the same manner as the Group in meetings of shareholders of BEURG. In June 2022, the Group and the Acting In Concert Parties further acquired shares in BEURG, and as at 22 June 2022, the Group and the Acting In Concert Parties held 41.06% and 19.49% of the issued share capital of BEURG, respectively. As a result, BEURG becomes a subsidiary of the Group since then. As at 31 December 2023, the Group and the Acting In Concert Parties held 41.06% and 26.71% (2022: 41.06% and 23.65%) of the issued share capital of BEURG, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

(a) Particulars of the Company's principal subsidiaries are as follows: *(Continued)*

* *In prior years, the non-controlling shareholder further made cash contributions of in aggregate of RMB4.5 billion to BEWG Environmental. Upon completion of the second capital injections, the Group's percentage of shareholding in BEWG Environmental was further diluted from 85.45% to 64.41%. As a result, the Group's percentage of shareholding in subsidiaries under BEWG Environmental was also further diluted accordingly.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(b) Controlled special purpose entity

In accordance with HKFRS 10 *Consolidated Financial Statements*, the Company is required to consolidate a trust if the Company has control over the trust and can derive benefits from the contributions of employees who have been awarded the shares of the Company through their employment with the Group. The Company controls a structured entity which operates in Hong Kong, particulars of which are as follows:

Structured entity	Principal activities
Share Award Scheme Trust	Purchases, administers and holds the shares of the Company for the share award scheme for the benefit of eligible participants <i>(note 32)</i>

The Company has the power to direct the relevant activities of the Share Award Scheme and it has the ability to use its power over the entity to affect its exposure to returns. Therefore, it was considered as a controlled structured entity of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. BASIS OF PRESENTATION

Despite that the Group had net current liabilities of RMB2.1 billion and capital commitments of approximately RMB18.1 billion (comprising the Group's capital commitments and the Group's share of joint ventures's own capital commitment) in aggregate as at 31 December 2023, as detailed in note 49 to the financial statements, 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, has taken 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 the respective agreements and the current status of the respective 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.

3. ACCOUNTING POLICIES

3.1 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation *(Continued)*

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.2 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 3.4 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.2 Changes in accounting policies and disclosures *(Continued)*

(c) *(Continued)*

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 31 December 2023 RMB'000	Increase As at 31 December 2022 RMB'000	As at 1 January 2022 RMB'000
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
Net assets	4,898	4,662	4,972
Equity			
Reserves (included retained profits and exchange fluctuation reserve)	4,898	4,662	4,972
Equity attributable to shareholders of the Company	4,898	4,662	4,972
Holdings 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.2 Changes in accounting policies and disclosures *(Continued)*

(c) *(Continued)*

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	236	(340)
Profit for the year attributable to:		
Shareholders of the Company	236	(340)
Holders of perpetual capital instruments	–	–
Non-controlling interests	–	–
	236	(340)
Exchange translation of foreign operations	–	30
Total comprehensive income for the year	236	(310)
Total comprehensive income for the year attributable to:		
Shareholders of the Company	236	(310)
Holders of perpetual capital instruments	–	–
Non-controlling interests	–	–
	236	(310)

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.2 Changes in accounting policies and disclosures *(Continued)*

(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 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.

3.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments") ^{1, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments") ^{1, 4}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.3 Issued but not yet effective Hong Kong Financial Reporting Standards *(Continued)*

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a holding company of the Group;

or

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Related parties (Continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)* *Business combinations and goodwill (Continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the statement of profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in the statement of profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the statement of profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 30 June (2022: 30 June). For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Fair value measurement

The Group measures its investment properties, equity investments designated at fair value through other comprehensive income and certain financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its estimated residual value over its estimated useful life. The estimated useful lives of different categories of property, plant and equipment are as follows:

Leasehold land	Over the lease terms
Buildings	20 to 30 years
Leasehold improvements	Over the lease terms or 5 years, whichever is shorter
Machinery	5 to 10 years
Sewage and water pipelines	10 to 20 years
Furniture, fixtures and office equipment	5 to 10 years
Motor vehicles	3 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Property, plant and equipment and depreciation (Continued)

Construction in progress is stated at cost less any accumulated impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment property

Investment property is an interest in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair value of an investment property are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” for owned property and/or accounts for such property in accordance with the policy stated under “Right-of-use assets” for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Leases (Continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	Over the lease term or 20 to 34 years, whichever is shorter
Office building	Over the lease terms or 2 to 16 years, whichever is shorter
Machinery, sewage and water pipelines	Over the lease terms or 4 to 10 years, whichever is shorter
Office equipment	Over the lease terms or 5 to 10 years, whichever is shorter
Motor vehicles	Over the lease terms or 2 to 4 years, whichever is shorter

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Leases (Continued)

Group as a lessee *(Continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of offices, machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

Service concession arrangements

Consideration given by the grantor

A financial asset (receivable under a service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash or another financial asset if nothing other than the passage of time is required before payment of the consideration is due and the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for loans and receivables under “Investments and other financial assets” below.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Service concession arrangements (Continued)

Consideration given by the grantor (Continued)

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for “Intangible assets (other than goodwill)” below.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for “Revenue recognition” below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for “Revenue recognition” below. Costs for operating services are expensed in the period in which they are incurred.

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the sewage and reclaimed water treatment and water distribution plants it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the sewage and reclaimed water treatment and water distribution plants, except for upgrade element, are recognised and measured in accordance with the policy set out for “Provisions” below.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)* *Intangible assets (other than goodwill) (Continued)*

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Operating concessions

Operating concessions representing the rights to operate sewage and reclaimed water treatment and water distribution plants are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 20 to 40 years.

Patents

Purchased patents are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives of 10 years.

Computer software

Computer software is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the estimated useful lives of 5 to 10 years, as appropriate.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than contract assets, deferred tax assets, financial assets, investment properties and inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis, or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of a non-financial asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)* *Investments and other financial assets* Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)* *Investments and other financial assets (Continued)* Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)* *Impairment of financial assets (Continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are past due more than certain days which are assessed by the Group individually.

The Group considers a financial asset in default based on historical pattern and credit risk management practices of the Group. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below:

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are all classified, at initial recognition, as payables, loans and borrowings. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank and other borrowings, corporate bonds, notes payable and lease liabilities.

Subsequent measurement

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are determined on the weighted average basis. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Perpetual capital instruments

Perpetual capital instruments with no contractual obligation to repay the principal or to pay any distribution are classified as part of equity.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included as finance costs in profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation/amortisation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

The Group has satisfied a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If none of the above conditions are met, the Group recognises revenue at the point in time at which the performance obligation is satisfied.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the surveyors' assessment of work performed and the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

When the Group provides more than one service in a service concession arrangement, the transaction price will be allocated to each performance obligation by reference to their relative stand-alone selling prices. If the standalone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Construction services

The Group's performance in respect of construction services creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the surveyors' assessment of work performed and the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

Revenue from the construction services under a service concession arrangement is estimated on a cost plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered.

(b) Sewage and reclaimed water treatment services and technical and consultancy services

The Group recognises revenue from sewage and reclaimed water treatment services and technical and consultancy services, upon the transfer of outcome of the customers. The performance obligation is satisfied upon delivery of related service outcome of the customers.

(c) Sales of water, machineries, recycling and reuse products and dismantled products

Revenue from the sales of water, machineries, recycling and reuse products and dismantled products is recognised at the point in time when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the water, completed machineries, recycling and reuse products or dismantled products and the Group has a present right to payment and the collection of the consideration is probable.

(d) Provision of urban services

Revenue from the provision of urban services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(e) Provision of hazardous waste treatment services

Revenue from the provision of hazardous waste treatment services is recognised at the point in time when the services are provided to the customers.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Revenue recognition (Continued)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Equity compensation benefits

The Company operates a share option scheme and a share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Equity compensation benefits (Continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapse are deleted from the register of outstanding options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits as a movement in reserves.

Shares held under share award scheme

As disclosed in note 32 to the financial statements, the Group has set up a trust for the share award scheme, where the trust purchases shares issued by the Group, and the consideration paid by the Company, including any directly attributable incremental costs, is presented as “Shares held under share award scheme” and deducted from the Group’s equity.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Other employee benefits

Defined contribution plans

The employees of the Group's subsidiaries which operate in Chinese Mainland, Singapore, Portugal and Malaysia are required to participate in central pension schemes operated by the local governments, the assets of which are held separately from those of the Group. Contributions are made by the subsidiaries based on a percentage of the participating employees' salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes. The employer contributions vest fully once made.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Defined benefit plan

Employees of a joint venture can enjoy other retirement benefits after retirement such as supplementary medical reimbursement, allowance and beneficiary benefits pursuant to a defined benefit plan of the joint venture. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method and is charged to the statement of profit or loss so as to spread the costs over the average service lives of the relevant employees in accordance with the actuarial report which contains valuation of the obligations for the year. The obligation is measured at the present value of the estimated future cash outflows using the interest rates of the PRC government bonds which have terms similar to those of related liabilities. Actuarial gains and losses are recognised in other comprehensive income immediately when they arise.

The past service costs are recognised as an expense on the straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, the pension plan, past service costs are recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognised and less the fair value of plan assets out of which the obligations are to be settled.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company is Hong Kong dollars ("HK\$"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

3. ACCOUNTING POLICIES *(Continued)*

3.4 Material accounting policies *(Continued)*

Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company, certain Hong Kong and overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition date are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and certain Hong Kong and overseas subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of the Company and these subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Construction work and service contracts

The Group recognises revenue for construction work and service contracts according to the percentage of completion of the individual contracts of construction work or service. The Group's management estimates the percentage of completion of construction work and service based on the actual cost incurred over the total budgeted cost, where corresponding contract revenue is also estimated by management. Because of the nature of the activity undertaken in construction and service contracts, the date at which the activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract and service contract as the contract progresses.

Determination of fair value of contract revenue in respect of the construction services rendered

Revenue from the construction of sewage and reclaimed water treatment and seawater desalination plants under the terms of a Build-Operate-Transfer ("BOT") contract is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of agreement applicable to similar construction services rendered in a similar location, and is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

The construction margin is determined based on the gross profit margins of market comparables by identifying relevant peer groups, which are listed on various stock exchanges in the world. Criteria for selection include:

- (i) the peer firm must be in the field of the construction of infrastructure, majoring in sewage and reclaimed water treatment and seawater desalination facilities in the PRC; and
- (ii) information of the peer firm must be available and from a reliable source.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant business units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The total carrying amount of goodwill as at 31 December 2023 was RMB3,617,399,000 (2022: RMB3,581,350,000) in aggregate, details of which are set out in note 17 to the financial statements.

Provision for expected credit losses on receivables under service concession arrangements, trade and other receivables and amounts due from contract customers

The policy for provision for expected credit losses on receivables under service concession arrangements, trade and other receivables and amounts due from contract customers of the Group is based on an ECL model. A considerable amount of estimation is required in assessing the available information which includes information about past events, current conditions and forecasts future economic conditions to estimate the ECL. The carrying amounts of receivables under service concession arrangements, trade receivables, other receivables and amounts due from contract customers carried as assets in the consolidated statement of financial position as at 31 December 2023 were RMB59,037,045,000 (2022: RMB58,307,509,000), RMB21,331,810,000 (2022: RMB21,000,423,000), RMB6,521,988,000 (2022: RMB5,838,655,000) and RMB26,293,362,000 (2022: RMB23,841,041,000), respectively, further details of which are set out in notes 18, 26, 27 and 25 to the financial statements.

Current tax and deferred tax

The Group is mainly subject to income taxes in Hong Kong, Chinese Mainland, Portugal, Malaysia, Singapore and Australia. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of current income tax payable carried as a liability in the consolidated statement of financial position as at 31 December 2023 was RMB1,294,636,000 (2022: RMB1,260,359,000).

Deferred tax assets relating to certain deductible temporary differences and tax losses are recognised as management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed. The carrying amounts of deferred tax assets and liabilities carried as assets and liabilities in the consolidated statement of financial position as at 31 December 2023 were RMB388,254,000 (2022: RMB387,791,000) and RMB4,677,768,000 (2022: RMB4,430,626,000), respectively, details of which are set out in note 39 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. OPERATING SEGMENT INFORMATION

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

- (a) the sewage and reclaimed water treatment and construction services segment engages in the construction and operation of sewage and reclaimed water treatment plants and the provision of construction services for comprehensive renovation projects;
- (b) the water distribution services segment engages in the distribution and sale of piped water and the provision of related services;
- (c) the technical and consultancy services and sale of machineries segment engages in the provision of consultancy services and sale of machineries related to sewage treatment, and the licensing of technical know-how related to sewage treatment; and
- (d) the urban resources services segment engages in the provision of urban environmental governance services and construction services, hazardous waste treatment services, waste electrical and electronic equipment treatment services and sale of recycling and reuse products.

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

Segment assets exclude corporate and head office assets as these assets are managed on a group basis.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. OPERATING SEGMENT INFORMATION *(Continued)*

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 6)</i>	14,023,872	2,978,747	2,459,142	5,057,613	24,519,374
Cost of sales	(8,363,649)	(1,730,151)	(1,390,030)	(4,034,791)	(15,518,621)
Gross profit	5,660,223	1,248,596	1,069,112	1,022,822	9,000,753
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	12,043	(109)	3,411	–	15,345
	5,927,313	1,294,084	657,603	539,363	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					(3,260,857)
Profit before tax					4,028,439
Income tax expense					(964,112)
Profit for the year					3,064,327
Profit for the year attributable to shareholders of the Company:					
Operating segments	4,869,326	985,812	515,925	116,705	6,487,768
Corporate and other unallocated items					(4,592,087)
					1,895,681

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2023 *(Continued)*

	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 assets:					
Operating segments	107,125,572	23,013,698	10,783,670	7,931,139	148,854,079
Corporate and other unallocated items					16,639,114
					165,493,193
Other segment information:					
Capital expenditure*					
– Operating segments	251,815	1,906,847	42,499	919,719	3,120,880
– Amount unallocated					56,743
					3,177,623
Depreciation					
– Operating segments	118,252	160,430	48,199	488,587	815,468
– Amount unallocated					70,478
					885,946
Amortisation of operating concessions	402,087	236,000	–	66,654	704,741
Amortisation of other intangible assets					
– Operating segments	4,959	6,602	2,951	1,950	16,462
– Amount unallocated					34,882
					51,344
Impairment/(reversal of impairment) of segment assets, net**					
– Operating segments	171,609	(4,096)	63,706	9,099	240,318
– Amount unallocated					(104,786)
					135,532
Provision for major overhauls	263,248	29,828	–	2,466	295,542

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. OPERATING SEGMENT INFORMATION *(Continued)*

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 <i>(note 6)</i>	13,724,465	2,657,241	2,918,196	2,184,938	21,484,840
Cost of sales	(8,092,787)	(1,453,491)	(1,737,544)	(1,740,336)	(13,024,158)
Gross profit	5,631,678	1,203,750	1,180,652	444,602	8,460,682
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	26,681	4,457	(31,931)	–	(793)
	5,886,706	1,281,439	708,723	214,310	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					(2,745,678)
Profit before tax					3,265,457
Income tax expense					(930,286)
Profit for the year					2,335,171
Profit for the year attributable to shareholders of the Company:					
Operating segments	4,805,420	948,252	562,133	41,397	6,357,202
Corporate and other unallocated items					(5,175,772)
					1,181,430

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2022 *(Continued)*

	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 assets:					
Operating segments	104,942,319	22,951,236	9,570,144	7,696,325	145,160,024
Corporate and other unallocated items					16,591,620
					161,751,644
Other segment information:					
Capital expenditure*					
– Operating segments	1,821,306	961,597	48,810	227,180	3,058,893
– Amount unallocated					61,573
					3,120,466
Depreciation					
– Operating segments	73,817	205,434	47,114	247,972	574,337
– Amount unallocated					67,995
					642,332
Amortisation of operating concessions	351,181	124,796	–	22,722	498,699
Amortisation of other intangible assets					
– Operating segments	9,558	7,107	1,754	414	18,833
– Amount unallocated					36,123
					54,956
Impairment of segment assets, net**					
– Operating segments	235,522	(17,965)	24,535	23,563	265,655
– Amount unallocated					254,246
					519,901
Provision for major overhauls	231,952	23,186	–	1,876	257,014

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets, operating concessions and other intangible assets, excluding assets from the reassessment of post-closure provision for landfills, acquisition of subsidiaries and associates.

** These amounts are recognised in the consolidated statement of profit or loss and included impairment of receivables under service concession arrangements, amounts due from contract customers, trade receivables, other receivables and inventories.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

5. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Revenue from external customers:		
Chinese Mainland	23,159,277	20,155,038
Elsewhere	1,360,097	1,329,802
	24,519,374	21,484,840
Non-current assets:		
Chinese Mainland	36,572,594	34,370,067
Portugal	340,280	425,044
Australia	541,334	437,525
Elsewhere	251,231	219,365
	37,705,439	35,452,001

The revenue information by geographical area is based on the locations of the customers; while the non-current asset information shown above is based on the locations of the assets and excludes financial instruments, amounts due from contract customers and deferred tax assets.

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).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

6. REVENUE, INTEREST INCOME, OTHER INCOME AND GAINS, NET

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

	2023 RMB'000	2022 RMB'000 (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 sale 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	714,054	386,472
	24,519,374	21,484,840

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

Revenue from contracts with customers

(i) Disaggregated revenue information

As described in note 3.4 to the financial statements, revenue of sewage and reclaimed water treatment services, construction services, technical and consultancy services and urban services is recognised over time. Revenue of water distribution services, hazardous waste treatment services and sale of machineries, recycling and reuse products is recognised at a point in time.

Please refer to note 5 to the financial statements and the table above for the disclosure of disaggregated revenue.

(ii) Performance obligations

The aggregate amount of the transaction prices allocated to the performance obligations that are unsatisfied (or partially unsatisfied) of BOT and Transfer-Operate-Transfer ("TOT") arrangements as at 31 December 2023 was RMB248 billion (2022: RMB247 billion). The performance obligations expected to be satisfied in more than one year relate to the services of BOT and TOT arrangements. The amounts disclosed above do not include variable consideration which is constrained.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

6. REVENUE, INTEREST INCOME, OTHER INCOME AND GAINS, NET *(Continued)*

	2023 RMB'000	2022 RMB'000 (restated)
Interest income		
Bank interest income	190,409	238,344
Interest income on trade and other receivables with extended credit periods	668,288	719,612
Interest income on loans to joint ventures ^{††}	19,388	12,106
Interest income on loans to an associate [#]	–	1,977
	878,085	972,039
Other income		
Gross rental income	15,938	23,765
Government grants [§]	150,245	210,064
Sludge treatment income	142,486	125,293
Pipeline installation income	163,510	264,201
Dividend income from equity investments at fair value through other comprehensive income	10,150	19,377
Others	478,585	437,261
	960,914	1,079,961
Gains, net		
Gain on bargain purchase of subsidiaries <i>(note 44)</i>	–	160,550
Gain on disposal of joint ventures, net	115	–
Gain on modification of a lease	1,586	2,620
Foreign exchange gain	–	36,781
Gain on disposal of items of property, plant and equipment, net	12,329	–
	14,030	199,951
Other income and gains, net	974,944	1,279,912

^{††} The interest income recognised mainly represented the interest income on loans to joint ventures of the Group, as further detailed in note 20(d)(i) to the financial statements.

[#] The interest income recognised mainly represented the interest income on loans to an associate of the Group, as further detailed in note 21(b)(i) to the financial statements.

[§] The government grants recognised during the current and prior years represented grants received from certain government authorities in respect of the fulfilment of certain specific duties by the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

7. PROFIT FROM OPERATING ACTIVITIES

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

	<i>Notes</i>	2023 RMB'000	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	1,335,424
Cost of hazardous waste treatment services and sale of recycling and reuse products		605,970	337,930
Depreciation of property, plant and equipment	<i>14</i>	806,542	575,658
Depreciation of right-of-use assets	<i>16</i>	79,404	66,674
Amortisation of operating concessions*	<i>18</i>	704,741	498,699
Amortisation of other intangible assets*	<i>19</i>	51,344	54,956
Lease payments not included in the measurement of lease liabilities	<i>16</i>	5,451	9,476
Auditor's remuneration		10,800	10,320
Employee benefit expense (including directors' remuneration (<i>note 9</i>)): <ul style="list-style-type: none"> Salaries, allowances and benefits in kind Equity-settled share award expenses Pension scheme contributions[#] Welfare and other expenses 		4,169,432	3,485,217
	<i>32(b)</i>	22,678	36,517
		488,531	363,913
		649,863	602,050
Total		5,330,504	4,487,697
Impairment of receivables under service concession arrangements, net	<i>18(b)</i>	46,407	22,851
Impairment of amounts due from contract customers, net	<i>25</i>	76,013	118,306
Impairment of trade receivables, net	<i>26(c)</i>	119,998	123,969
Impairment/(reversal of impairment) of other receivables, net	<i>27(d)</i>	(104,985)	248,379
(Reversal of write-down)/write-down of inventories to net realisable value		(1,901)	6,396

NOTES TO FINANCIAL STATEMENTS

31 December 2023

7. PROFIT FROM OPERATING ACTIVITIES *(Continued)*

	<i>Notes</i>	2023 RMB'000	2022 RMB'000 (restated)
Provision for major overhauls	37	295,542	257,014
Foreign exchange difference, net		3,473	(36,781)
(Gain)/loss on disposal of joint ventures, net		(115)	58,768
Loss on disposal of subsidiaries, net	45	107,518	35,223
Loss/(gain) on disposal of items of property, plant and equipment, net		(12,329)	4,175
Loss on deemed disposal of partial interest in an associate		–	938,220
Loss on remeasurement of a then associate	44	–	148,746
Loss on early redemption of asset-backed note		–	15,035
Loss on disposal of receivables under service concession arrangements		125,128	190,626
Fair value loss on investment properties	15	–	35,269
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		3,433	3,369

* *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.*

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000 (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
Total interest expense	3,375,048	2,825,170
Increase in discounted amounts of provision for major overhauls arising from the passage of time (note 37)	37,732	34,182
Total finance costs	3,412,780	2,859,352
Less: Interest included in cost of construction services	(151,923)	(113,674)
	3,260,857	2,745,678

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Stock Exchange, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group 2023 RMB'000	2022 RMB'000 (restated)
Fees	1,583	1,066
Other emoluments:		
Salaries, allowances and benefits in kind	17,396	26,174
Equity-settled share award expense	670	6,478
Pension scheme contributions	307	224
	18,373	32,876
	19,956	33,942

NOTES TO FINANCIAL STATEMENTS

31 December 2023

9. DIRECTORS' REMUNERATION *(Continued)*

An analysis of the directors' remuneration, on a named basis, is as follows:

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Equity-settled share award expense <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Year ended 31 December 2023					
Executive directors:					
Mr. Xiong Bin (<i>Chairman</i>)	–	–	–	–	–
Mr. Jiang Xinhao	–	–	–	–	–
Mr. Zhou Min (<i>Chief Executive Officer</i>)	162	10,033	–	122	10,317
Mr. Li Haifeng	162	3,426	464	80	4,132
Mr. Ke Jian	–	–	–	–	–
Ms. Sha Ning	–	–	–	–	–
Mr. Tung Woon Cheung Eric	162	–	206	–	368
Mr. Li Li	162	3,937	–	105	4,204
	648	17,396	670	307	19,021
Non-executive director:					
Mr. Wang Dianchang	162	–	–	–	162
Independent non-executive directors:					
Mr. Shea Chun Lok Quadrant	162	–	–	–	162
Mr. Zhang Gaobo	62	–	–	–	62
Mr. Guo Rui	162	–	–	–	162
Mr. Chau On Ta Yuen	162	–	–	–	162
Mr. Dai Xiaohu	162	–	–	–	162
Ms. Chan Siu Chee Sophia	63	–	–	–	63
	773	–	–	–	773
Total	1,583	17,396	670	307	19,956

NOTES TO FINANCIAL STATEMENTS

31 December 2023

9. DIRECTORS' REMUNERATION *(Continued)*

Notes:

- (1) Ms. Chan Siu Chee Sophia is appointed as an independent non-executive director with effective from 15 September 2023.
- (2) Mr. Zhang Gaobo is resigned as an independent non-executive director with effect from 16 June 2023.
- (3) Mr. Xiong Bin is appointed as executive director and chairman with effect from 11 July 2022.
- (4) Mr. Li Yongcheng is resigned as executive director and chairman with effect from 11 July 2022.
- (5) Mr. Zhang Tiefu is resigned as executive director with effect from 29 April 2022.
- (6) Mr. Zhao Feng is resigned as non-executive director with effect from 15 March 2022.
- (7) Mr. Wang Dianchang is appointed as non-executive director with effect from 15 March 2022.
- (8) Mr. Dai Xiaohu is appointed as an independent non-executive director with effect from 30 November 2022.
- (9) Mr. Wang Kaijun is resigned as an independent non-executive director with effect from 31 August 2022.
- (10) Mr. Xiong Bin, Ms. Sha Ning, Mr. Jiang Xinhao and Mr. Ke Jian waived directors' remuneration for the years ended 31 December 2023 amounting to HK\$185,000, HK\$180,000, HK\$180,000 and HK\$180,000 (2022: HK\$65,000, HK\$120,000, HK\$120,000 and HK\$120,000), respectively. Mr. Li Yongcheng also waived director's remuneration for the year ended 31 December 2022 amounting to HK\$65,000. Except for the above, there was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

9. DIRECTORS' REMUNERATION *(Continued)*

An analysis of the directors' remuneration, on a named basis, is as follows:

	Fees <i>RMB'000</i> (restated)	Salaries, allowances and benefits in kind <i>RMB'000</i> (restated)	Equity-settled share award expense <i>RMB'000</i> (restated)	Pension scheme contributions <i>RMB'000</i> (restated)	Total remuneration <i>RMB'000</i> (restated)
Year ended 31 December 2022					
Executive directors:					
Mr. Li Yongcheng	–	–	–	–	–
Mr. Xiong Bin <i>(Chairman)</i>	–	–	–	–	–
Mr. Jiang Xinhao	–	–	–	–	–
Mr. Zhou Min <i>(Chief Executive Officer)</i>	103	15,083	3,738	112	19,036
Mr. Li Haifeng	103	5,853	561	15	6,532
Mr. Zhang Tiefu	34	636	–	–	670
Mr. Ke Jian	–	–	–	–	–
Ms. Sha Ning	–	–	–	–	–
Mr. Tung Woon Cheung Eric	103	–	311	–	414
Mr. Li Li	103	4,602	1,868	97	6,670
	446	26,174	6,478	224	33,322
Non-executive director:					
Mr. Zhao Feng	22	–	–	–	22
Mr. Wang Dianchang	82	–	–	–	82
	104	–	–	–	104
Independent non-executive directors:					
Mr. Shea Chun Lok Quadrant	103	–	–	–	103
Mr. Zhang Gaobo	129	–	–	–	129
Mr. Guo Rui	103	–	–	–	103
Mr. Wang Kaijun	69	–	–	–	69
Mr. Chau On Ta Yuen	103	–	–	–	103
Mr. Dai Xiaohu	9	–	–	–	9
	516	–	–	–	516
Total	1,066	26,174	6,478	224	33,942

NOTES TO FINANCIAL STATEMENTS

31 December 2023

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2022: three directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2022: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Salaries, allowances and benefits in kind	4,738	4,767
Performance related bonuses	2,919	3,250
Equity-settled share award expense	644	1,557
Pension scheme contributions	234	259
	8,535	9,833

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK\$4,500,001 to HK\$5,000,000	2	1
HK\$6,500,001 to HK\$7,000,000	0	1
	2	2

NOTES TO FINANCIAL STATEMENTS

31 December 2023

11. 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 Chinese Mainland 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 Chinese Mainland, a number of the Company's subsidiaries enjoy income tax exemptions and reductions because (1) these companies are engaged in the operations of environmental protection, energy and water conservation; and/or (2) they have operations in the Western regions of Chinese Mainland 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 Chinese Mainland.

	2023 RMB'000	2022 RMB'000 (restated)
Current – Hong Kong	7,040	7,444
Current – Chinese Mainland	624,582	636,247
Current – Elsewhere	62,019	30,600
Deferred (<i>note 39</i>)	270,471	255,995
Total tax charge for the year	964,112	930,286

NOTES TO FINANCIAL STATEMENTS

31 December 2023

11. INCOME TAX EXPENSE *(Continued)*

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory tax rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Year ended 31 December 2023

	Hong Kong and overseas		Chinese Mainland		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	(1,526,336)		5,554,775		4,028,439	
Tax expense/(credit) at the statutory tax rate	(244,875)	16.0	1,386,123	25.0	1,141,248	28.3
Lower tax rates of specific provinces or enacted by local authorities	-	-	(151,022)	(2.7)	(151,022)	(3.7)
Tax concession	-	-	(239,311)	(4.3)	(239,311)	(5.9)
Profits and losses attributable to joint ventures and associates	(12,127)	0.8	(145,005)	(2.6)	(157,132)	(3.9)
Income not subject to tax	(25,968)	1.7	(70,698)	(1.3)	(96,666)	(2.4)
Expenses not deductible for tax	325,428	(21.3)	180,158	3.2	505,586	12.6
Effect of withholding tax of 5% on the distributable profit of the Group's PRC subsidiary and joint ventures	-	-	5,583	0.1	5,583	0.1
Tax losses utilised from previous periods	-	-	(55,390)	(1.0)	(55,390)	(1.4)
Tax losses not recognised	10,468	(0.7)	748	-	11,216	0.2
Tax expense at the Group's effective tax rate	52,926	(3.5)	911,186	16.4	964,112	23.9

NOTES TO FINANCIAL STATEMENTS

31 December 2023

11. INCOME TAX EXPENSE *(Continued)*

Year ended 31 December 2022

	Hong Kong and overseas		Chinese Mainland		Total	
	<i>RMB'000</i> (restated)	%	<i>RMB'000</i> (restated)	%	<i>RMB'000</i> (restated)	%
Profit/(loss) before tax	(1,070,654)		4,336,111		3,265,457	
Tax expense/(credit) at the statutory tax rate	(199,714)	18.7	1,084,643	25.0	884,929	27.1
Lower tax rates of specific provinces or enacted by local authorities	-	-	(173,133)	(4.0)	(173,133)	(5.3)
Tax concession	-	-	(169,985)	(3.9)	(169,985)	(5.2)
Profits and losses attributable to joint ventures and associates	(9,003)	0.8	(165,410)	(3.8)	(174,413)	(5.3)
Income not subject to tax	(11,639)	1.1	(73,853)	(1.7)	(85,492)	(2.6)
Expenses not deductible for tax	348,335	(32.5)	304,039	7.0	652,374	20.0
Effect of withholding tax of 5% on the distributable profit of the Group's PRC subsidiary and joint ventures	-	-	3,038	0.1	3,038	0.1
Tax losses utilised from previous periods	-	-	(21,407)	(0.5)	(21,407)	(0.7)
Tax losses not recognised	8,224	(0.8)	6,151	0.1	14,375	0.4
Tax expense at the Group's effective tax rate	136,203	(12.7)	794,083	18.3	930,286	28.5

The share of tax attributable to associates and joint ventures amounting to RMB74,583,000 (2022: RMB38,335,000) and RMB80,637,000 (2022: RMB86,404,000), respectively, is included in "share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

12. CASH DIVIDENDS

	2023 <i>RMB'000</i>	2022 <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	786,650	786,650
	1,419,586	1,396,137

The proposed final cash dividends for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company, adjusted to reflect the distribution related to the perpetual capital instruments, 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 instruments 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

13. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(Continued)

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

	2023	2022
	RMB'000	RMB'000 (restated)
Earnings		
Profit for the year attributable to shareholders of the Company	1,895,681	1,181,430
Distribution related to the perpetual capital instruments	(70,284)	(39,068)
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	(598)	(741)
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	1,824,799	1,141,621
	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	34,361
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	10,021,098,016	10,089,632,605

NOTES TO FINANCIAL STATEMENTS

31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Machinery, and sewage and water pipelines <i>RMB'000</i>	Furniture, fixtures and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2023							
At 1 January 2023:							
Cost	3,554,190	303,109	3,365,091	522,460	1,702,290	1,433,979	10,881,119
Accumulated depreciation and impairment	(773,912)	(134,655)	(1,052,396)	(253,488)	(829,942)	–	(3,044,393)
Net carrying amount	2,780,278	168,454	2,312,695	268,972	872,348	1,433,979	7,836,726
Net carrying amount:							
At 1 January 2023	2,780,278	168,454	2,312,695	268,972	872,348	1,433,979	7,836,726
Acquisition of subsidiaries (<i>note 44</i>)	–	–	–	61	–	–	61
Additions	104,574	10,060	464,497	57,855	684,942	176,517	1,498,445
Depreciation provided during the year	(162,638)	(2,211)	(276,773)	(41,250)	(323,670)	–	(806,542)
Disposal of subsidiaries (<i>note 45</i>)	–	–	–	(179)	–	–	(179)
Disposals	(47,412)	(53,684)	(233,008)	(788)	(888)	(615)	(336,395)
Reclassification from investment properties (<i>note 15</i>)	158,694	–	–	–	–	–	158,694
Transfers	509,284	5,690	91,782	70	–	(606,826)	–
Exchange realignment	78	–	1,729	6	2,584	4,798	9,195
At 31 December 2023	3,342,858	128,309	2,360,922	284,747	1,235,316	1,007,853	8,360,005
At 31 December 2023:							
Cost	4,270,606	264,839	3,648,113	566,796	2,377,479	1,007,853	12,135,686
Accumulated depreciation and impairment	(927,748)	(136,530)	(1,287,191)	(282,049)	(1,142,163)	–	(3,775,681)
Net carrying amount	3,342,858	128,309	2,360,922	284,747	1,235,316	1,007,853	8,360,005

NOTES TO FINANCIAL STATEMENTS

31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Land and buildings <i>RMB'000</i> (restated)	Leasehold improvements <i>RMB'000</i> (restated)	Machinery, and sewage and water pipelines <i>RMB'000</i> (restated)	Furniture, fixtures and office equipment <i>RMB'000</i> (restated)	Motor vehicles <i>RMB'000</i> (restated)	Construction in progress <i>RMB'000</i> (restated)	Total <i>RMB'000</i> (restated)
Year ended 31 December 2022							
At 1 January 2022:							
Cost	2,429,106	126,072	2,056,259	326,435	343,336	486,520	5,767,728
Accumulated depreciation and impairment	(552,214)	(75,345)	(530,486)	(191,458)	(194,844)	–	(1,544,347)
Net carrying amount	1,876,892	50,727	1,525,773	134,977	148,492	486,520	4,223,381
Net carrying amount:							
At 1 January 2022	1,876,892	50,727	1,525,773	134,977	148,492	486,520	4,223,381
Acquisition of subsidiaries <i>(note 44)</i>	598,858	26,494	569,645	16,849	775,997	897,811	2,885,654
Additions	385,038	121,914	479,570	184,630	139,354	69,618	1,380,124
Depreciation provided during the year	(139,265)	(37,500)	(148,337)	(63,674)	(186,882)	–	(575,658)
Disposal of subsidiaries <i>(note 45)</i>	–	–	–	(519)	(142)	–	(661)
Disposals	(5,155)	–	(125,219)	(2,441)	(14,678)	–	(147,493)
Reclassification from investment properties <i>(note 15)</i>	62,828	–	–	–	–	–	62,828
Transfers and reclassifications	(29)	6,817	10,968	(2,135)	8,585	(24,206)	–
Exchange realignment	1,111	2	295	1,285	1,622	4,236	8,551
At 31 December 2022	2,780,278	168,454	2,312,695	268,972	872,348	1,433,979	7,836,726
At 31 December 2022:							
Cost	3,554,190	303,109	3,365,091	522,460	1,702,290	1,433,979	10,881,119
Accumulated depreciation and impairment	(773,912)	(134,655)	(1,052,396)	(253,488)	(829,942)	–	(3,044,393)
Net carrying amount	2,780,278	168,454	2,312,695	268,972	872,348	1,433,979	7,836,726

At 31 December 2023, certain land use rights and certain buildings situated in Chinese Mainland with an aggregate carrying amount of RMB932,216,000 (2022: RMB903,555,000) were pledged to secure certain bank and other loans granted to the Group (note 35).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

15. INVESTMENT PROPERTIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Carrying amount at 1 January	617,453	715,550
Transfer to property, plant and equipment	(158,694)	(62,828)
Addition	3,434	–
Fair value loss on revaluation	–	(35,269)
Carrying amount at 31 December	462,193	617,453

Notes:

- (a) The Group's investment properties consist of a portion of an office building and a commercial building situated in Chinese Mainland and are held under long term leases. During the year, certain portion of the office building has been used by the Group. As a result, the related fair value of the building of RMB158,694,000 (2022: RMB62,828,000) was transferred from investment properties to property, plant and equipment.
- (b) The investment properties are leased to third parties and associates under operating lease arrangements, further summary of which are included in note 16 to the financial statements.
- (c) As at 31 December 2023, one of the Group's investment properties with a carrying amount of RMB418,415,000 (2022: RMB418,415,000) was pledged to a bank to secure a bank loan granted to the Group (note 35).
- (d) The Group's investment properties were revalued on 31 December 2023 and 2022 by Beijing North Asia Asset Assessment Firm, independent professionally qualified valuers, at RMB462,193,000 (2022: RMB617,453,000). Each year, management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Each year, management has discussions with the valuers on the valuation assumptions and valuation results.

The fair value of the Group's investment properties was measured using significant unobservable inputs (Level 3 of fair value hierarchy). During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

15. INVESTMENT PROPERTIES *(Continued)*

Notes: *(Continued)*

(d) *(Continued)*

Fair value hierarchy disclosure

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Office and commercial buildings RMB'000 (restated)
Carrying amount at 1 January 2022	715,550
Net loss from a fair value adjustment recognised in other operating expenses, net in profit or loss	(35,269)
Transfer to property, plant and equipment	(62,828)
Carrying amount at 31 December 2022 and 1 January 2023	617,453
Addition	3,434
Transfer to property, plant and equipment	(158,694)
Carrying amount at 31 December 2023	462,193

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Valuation technique	Significant unobservable inputs	Range	
		31 December 2023	31 December 2022
Income capitalisation method	Daily estimated rental value (per sq. m)	RMB6.00 to RMB12.00	RMB4.26 to RMB12.00
	Rent growth	2%-3% from 2025	2% from 2024
	Discount rate	5.4%	5.5%

NOTES TO FINANCIAL STATEMENTS

31 December 2023

15. INVESTMENT PROPERTIES *(Continued)*

Notes: (Continued)

(d) *(Continued)*

Fair value hierarchy disclosure *(Continued)*

Under the income capitalisation method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flows in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of the property. The periodic cash flow is estimated as gross income less operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the discount rate in isolation would result in a significant (decrease)/increase in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and an opposite change in the discount rate.

16. LEASES

The Group as a lessee

The Group has lease contracts for office building and various items of machinery, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20-50 years, and no ongoing payments will be made under the terms of these land leases.

Lease terms of different assets generally are as follows:

Office buildings	Over the lease terms or 2 – 16 years, whichever is shorter
Office equipment	Over the lease terms or 5 – 10 years, whichever is shorter
Machinery, sewage and water pipelines	Over the lease terms or 4 – 10 years, whichever is shorter
Motor vehicles	Over the lease terms or 2 – 15 years, whichever is shorter

Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. No lease contracts have extension and termination options.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

16. LEASES *(Continued)*

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office building <i>RMB'000</i> (restated)	Office equipment <i>RMB'000</i> (restated)	Leasehold land <i>RMB'000</i> (restated)	Motor vehicles <i>RMB'000</i> (restated)	Machinery, sewage and water pipelines <i>RMB'000</i> (restated)	Total <i>RMB'000</i> (restated)
As at 1 January 2022	49,761	137	412,501	2,881	–	465,280
Arising from acquisition <i>(note 44)</i>	67,743	–	234,315	40,905	–	342,963
Additions	66,789	20	27,480	1,210	5,521	101,020
Depreciation charge	(38,356)	(33)	(17,873)	(7,192)	(3,220)	(66,674)
Lease modification	(196)	–	–	(6,175)	–	(6,371)
Exchange realignment	1,569	–	–	993	–	2,562
As at 31 December 2022 and 1 January 2023	147,310	124	656,423	32,622	2,301	838,780
Additions	35,113	–	21,672	2,095	–	58,880
Depreciation charge	(49,393)	(18)	(16,848)	(12,707)	(438)	(79,404)
Lease modification	(3,966)	–	–	(1,796)	–	(5,762)
Exchange realignment	928	–	174	768	–	1,870
As at 31 December 2023	129,992	106	661,421	20,982	1,863	814,364

At 31 December 2023, certain of the Group's prepaid land lease payments with a net carrying amount of RMB55,827,000 (2022: RMB58,507,000) were pledged to secure certain bank borrowings granted to the Group (note 35).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

16. LEASES *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 <i>RMB'000</i> (restated)
Carrying amount at 1 January	276,022	103,126
Arising from acquisition of subsidiaries <i>(note 44)</i>	–	166,324
Lease modification	(7,348)	(8,991)
New leases	37,208	73,540
Accretion of interest recognised during the year	10,541	10,049
Payments	(79,365)	(71,726)
Exchange realignment	2,027	3,700
Carrying amount at 31 December	239,085	276,022
Analysed into:		
Current portion	64,791	81,925
Non-current portion	174,294	194,097

The maturity analysis of lease liabilities is disclosed in note 52 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

16. LEASES *(Continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Interest on lease liabilities	10,541	10,049
Depreciation charge of right-of-use assets	79,404	66,674
Expense relating to short-term leases (included in administrative expenses)	5,451	9,476
Total amount recognised in profit or loss	95,396	86,199

(d) The total cash outflow for leases is disclosed in the consolidated statement of cash flows.

The Group as a lessor

The Group leases its investment properties (note 15) consisting of certain floors and portion of its office building and a commercial building in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB15,938,000 (2022: RMB23,765,000), details of which are included in note 6 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Within one year	10,567	6,346
In the second to fifth years, inclusive	10,853	9,254
Beyond five years	3,091	3,675
	24,511	19,275

NOTES TO FINANCIAL STATEMENTS

31 December 2023

17. GOODWILL

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Cost and net carrying amount:		
At 1 January	3,581,350	3,455,258
Acquisition of subsidiaries (<i>note 44</i>)	17,573	108,782
Exchange realignment	18,476	17,310
At 31 December	3,617,399	3,581,350

Impairment testing of goodwill

The carrying amount of the goodwill acquired through acquisitions of subsidiaries is allocated to the relevant business units of the individual operating segments of the Group for impairment testing, which is summarised as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Sewage and reclaimed water treatment and construction services segment	1,711,905	1,681,600
Water distribution services segment	918,115	913,835
Technical and consultancy services and sale of machineries segment	987,379	985,915
	3,617,399	3,581,350

NOTES TO FINANCIAL STATEMENTS

31 December 2023

17. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

The recoverable amounts of the relevant business units in each of the above operating segments have been determined by reference to business valuations performed by Valtech Valuation Advisory Limited (2022: Valtech Valuation Advisory Limited), independent professionally qualified valuers, based on fair value less costs of disposal using cash flow projections which are based on financial forecasts approved by senior management covering a period of 10 years and based on the assumption that the sizes of the operations remain constant perpetually. The post-tax discount rates applied to the cash flow projections ranged from 9.4% to 10.6% (2022: 9.4% to 10.8%) for the business units of the sewage and reclaimed water treatment and construction services segment, the water distribution services segment, and the technical and consultancy services and sale of machineries segment, which are determined by reference to the average rates for similar industries and the business risks of the relevant business units. A growth rate of 1.1% to 3% (2022: 1.0% to 3%) is used for the perpetual period.

Based on the results of the impairment testing of goodwill, in the opinion of the directors of the Company, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2023 (2022: Nil).

Key assumptions used in estimations of the recoverable amounts

The following describes each key assumption adopted by management in the preparation of the cash flow projections for the purpose of impairment testing of goodwill:

- **Budgeted revenue**
 - in respect of the revenue from the sewage and reclaimed water treatment and construction services segment and the water distribution services segment, the budgeted revenue is based on the projected sewage and reclaimed water treatment and water distribution volume, and the latest sewage and reclaimed water treatment and water tariff charges up to the date of valuation.
 - in respect of the revenue from the technical and consultancy services and sale of machineries segment, the budgeted revenue is based on the expected growth rate of the market.
- **Budgeted gross margins**
 - the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved during the six months ended 30 June for the same year, increased for expected efficiency improvements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

17. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Key assumptions used in estimations of the recoverable amounts *(Continued)*

- **Discount rates**
 - The discount rates used are after tax and reflect specific risks of the respective segments.
 - The pre-tax discount rates applied in the cash flow projections ranged from 11.22% to 13.31% (2022: 11.51% to 13.31%) for the business units of the sewage and reclaimed water treatment and construction services segment, the water distribution services segment, and the technical and consultancy services and sale of machineries segment.
- **Business environment**
 - There have been no major changes in the existing political, legal and economic conditions in Chinese Mainland, Singapore, Portugal, Australia and New Zealand.

18. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into a number of service concession arrangements with certain governmental authorities in Chinese Mainland, Singapore, Portugal and Australia on a BOT or a TOT basis in respect of its sewage and reclaimed water treatment, water distribution services and urban services. These service concession arrangements generally involve the Group as an operator in (i) constructing sewage and reclaimed water treatment plants, water distribution facilities and urban services facilities (collectively, the “Facilities”) for those arrangements on a BOT basis; (ii) paying a specific amount for those arrangements on a TOT basis; and (iii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 12 to 50 years (the “Service Concession Periods”), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through a pricing mechanism. The Group is generally entitled to use all the property, plant and equipment of the Facilities, however, the relevant governmental authorities as grantors will control and regulate the scope of services that the Group must provide with the Facilities, and retain the beneficial entitlement to any residual interest in the Facilities at the end of the terms of the Service Concession Periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authority in Chinese Mainland, Singapore, Portugal, Australia that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations imposed on the Group to restore the Facilities to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

A summary of the major terms of the principal service concession arrangements as at 31 December 2023 is as follows:

No.	Name of company as operator	Name of plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity (m ³ /day)	Service concession period
Subsidiaries:							
1.	綿陽中科成污水淨化有限公司	綿陽市塔子壩污水處理廠一期	Mianyang, Sichuan Province, the PRC	綿陽市人民政府	TOT on sewage treatment	100,000	30 years from 2002 to 2032
2.	廣州中業污水處理有限公司	廣州市花都區新華污水處理廠一期	Guangzhou, Guangdong Province, the PRC	廣州市花都區市政園林管理局	BOT on sewage treatment	100,000	25 years from 2008 to 2033
3.	深圳北控創新投資有限公司	深圳市龍崗區橫嶺污水處理廠二期	Shenzhen, Guangdong Province, the PRC	深圳市水務局	TOT on sewage treatment	400,000	20 years from 2011 to 2031
4.	深圳北控豐泰投資有限公司	深圳市龍崗區橫嶺污水處理廠一期	Shenzhen, Guangdong Province, the PRC	深圳市龍崗區人民政府	BOT on sewage treatment	200,000	25 years from 2003 to 2028
5.	成都青白江中科成污水淨化有限公司	成都市青白江區污水處理廠	Chengdu, Sichuan Province, the PRC	成都市青白江區人民政府	TOT on sewage treatment	100,000	25 years from 2009 to 2034
6.	錦州市北控水務有限公司	錦州市一期污水處理廠	Jinzhou, Liaoning Province, the PRC	錦州市公用事業與房產局	TOT on sewage treatment	100,000	30 years from 2009 to 2039
7.	錦州市北控水務有限公司	錦州市二期污水處理廠	Jinzhou, Liaoning Province, the PRC	錦州市公用事業與房產局	BOT on sewage treatment	100,000	30 years from 2011 to 2041
8.	錦州市小凌河北控水務有限公司	錦州市三期污水處理廠	Jinzhou, Liaoning Province, the PRC	錦州市人民政府	TOT on sewage treatment	100,000	30 years from 2015 to 2045
9.	玉溪北控城投水質淨化有限公司	玉溪市污水處理廠	Yuxi, Yunnan Province, the PRC	玉溪市住房和城鄉建設局	TOT on sewage treatment	100,000	30 years from 2010 to 2040
10.	廣西貴港北控水務有限公司	貴港市城西污水處理廠	Guigang, Guangxi Zhuang Autonomous Region, the PRC	貴港市市政管理局	BOT on sewage treatment	100,000	30 years from 2008 to 2038
11.	廣西貴港北控水務有限公司	南江水廠	Guigang, Guangxi Zhuang Autonomous Region, the PRC	貴港市市政管理局	BOT on water distribution	100,000	30 years from 2008 to 2038
12.	遵義北控水務有限公司	遵義市青山供水廠	Zunyi, Guizhou Province, the PRC	遵義市供排水有限責任公司	BOT on water distribution	100,000	25 years from 2010 to 2035
13.	衡陽市海朗水務有限公司	衡陽市珠暉自來水制水廠	Hengyang, Hunan Province, the PRC	衡陽市建設局	BOT on water distribution	200,000	30 years (Not yet started)

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

No.	Name of company as operator	Name of plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity (m ³ /day)	Service concession period
Subsidiaries: <i>(Continued)</i>							
14.	廣安北控廣和水務有限公司	廣安新橋園區供水廠(一期)	Guangan, Sichuan Province, the PRC	廣安市人民政府	BOT on water distribution	100,000	30 years from 2015 to 2045
15.	廣安北控廣和水務有限公司	廣安新橋園區供水廠(二期)	Guangan, Sichuan Province, the PRC	廣安市人民政府	BOT on water distribution	100,000	30 years (Not yet started)
16.	成都北控蜀都投資有限公司	成都合作污水處理廠	Chengdu, Sichuan Province, the PRC	成都市郫縣水務局	TOT on sewage treatment	100,000	25 years from 2012 to 2037
17.	東莞市德高水務有限公司	東莞市橫瀝東坑合建污水處理廠	Dongguan, Guangdong Province, the PRC	高埗鎮人民政府	BOT on sewage treatment	120,000	25 years from 2008 to 2033
18.	北控水務集團(海南)有限公司	白沙門污水處理廠	Haikou, Hainan Province, the PRC	海口市水務局	BOT on sewage treatment	200,000	25 years from 2010 to 2035
19.	德清達閩制水有限公司	德清縣乾元淨水廠項目	Deqing, Zhejiang Province, the PRC	德清縣建設局	BOT on water distribution	100,000	25 years from 2007 to 2032
20.	北控(鞍山)水務有限公司	鞍山市永寧污水處理廠項目	Anshan, Liaoning Province, the PRC	鞍山市環境保護局	BOT on sewage treatment	100,000	30 years from 2015 to 2045
21.	阜新市北控水務有限公司	遼寧省阜新市開發區污水處理廠項目	Fuxin, Liaoning Province, the PRC	阜新市人民政府	TOT on sewage treatment	100,000	30 years from 2015 to 2045
22.	北控(洛陽)水務發展有限公司	澗西污水處理廠項目	Luoyang, Henan Province, the PRC	洛陽市水務局	TOT on sewage treatment	200,000	30 years from 2015 to 2045
23.	北控(洛陽)水務發展有限公司	瀘東污水處理廠項目	Luoyang, Henan Province, the PRC	洛陽市水務局	TOT on sewage treatment	200,000	30 years from 2015 to 2045
24.	北控(洛陽)水務發展有限公司	新區污水處理廠項目	Luoyang, Henan Province, the PRC	洛陽市水務局	TOT on sewage treatment	100,000	30 years from 2015 to 2045
25.	廣東鶴山北控水務有限公司	鶴山市沙坪鎮第二供水廠項目	Jiangmen, Guangdong Province, the PRC	鶴山市人民政府	BOT on water distribution	195,000	30 years from 2015 to 2045
26.	北控(濟源)污水淨化有限公司	濟源市城市污水廠	Jiyuan, Henan Province, the PRC	濟源市住房和城鄉建設局	TOT on sewage treatment	100,000	30 years from 2016 to 2046
27.	永州市水務運營有限責任公司	永州曲河供水廠一期	Yongzhou, Hunan Province, the PRC	永州市城市管理行政執法局	TOT on water distribution	100,000	30 years from 2016 to 2046
28.	凱里北控清源水務有限公司	凱里市城鎮供排水項目	Kaili, Guizhou Province, the PRC	凱里水務局	TOT on water distribution	144,000	30 years from 2016 to 2046

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31 December 2023

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

No.	Name of company as operator	Name of plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity (m ³ /day)	Service concession period
Subsidiaries: <i>(Continued)</i>							
29.	棗莊北控智信水務有限公司	棗莊市區供水廠	Zaozhuang City, Shandong Province, the PRC	棗莊市人民政府	BOT on water distribution	110,000	30 years from 2013 to 2043
30.	南安實康水務有限公司	福建南安供水廠一期	Nanan, Fujian Province, the PRC	福建南安市人民政府	TOT on water distribution	170,000	30 years from 2013 to 2043
31.	山東昌樂實康水業有限公司	山東昌樂供水廠	Changle, Shandong Province, the PRC	山東省昌樂人民政府	TOT on water distribution	100,000	30 years from 2013 to 2043
32.	昌樂實康原水有限公司	山東昌樂原水廠	Changle, Shandong Province, the PRC	山東省昌樂人民政府	BOT on water distribution	100,000	30 years from 2013 to 2043
33.	常德北控碧海水務有限責任公司	常德柳葉湖污水廠	Changde City, Hunan Province, the PRC	常德市市政公用事業管理局	TOT on sewage treatment	100,000	15 years from 2016 to 2031
34.	BEWGI-UE NEWater (S) Pte. Ltd.	新加坡樟宜第二新生水廠	Singapore	新加坡公用事業局	DBOO on water recycling	228,000	25 years from 2014 to 2039
35.	延吉京城環保產業有限公司	延吉污水處理廠一期	Yanji City, Jilin Province, the PRC	延吉市人民政府	TOT on sewage treatment	100,000	30 years from 2014 to 2044
36.	永州市北控污水淨化有限公司	永州市冷水灘區下河線污水處理廠	Yongzhou, Hunan Province, the PRC	湖南省永州市公用事業管理局	BOT on sewage treatment	100,000	30 years from 2008 to 2038
37.	厚街海清污水處理有限公司	厚街沙塘污水處理廠	Dongguan, Guangdong Province, the PRC	厚街鎮人民政府	BOT on sewage treatment	100,000	25 years from 2009 to 2033
38.	北控(洛陽)水務發展有限公司	新區污水處理廠二期	Louyang, Henan Province, the PRC	洛陽市水務局	TOT on sewage treatment	100,000	30 years from 2015 to 2045
39.	內蒙古泰弘生態環境發展股份有限公司	包頭市大青山生態應急水源工程	Baotou, Inner Mongolia, the PRC	包頭市人民政府	BOT on water supply	190,000	30 years from 2012 to 2042
40.	Macarthur Water Pty Ltd.	Macarthur	Sydney, Australia	Sydney Water	BOT on water supply	265,000	35 years from 1995 to 2030
41.	北控(洛陽)水務發展有限公司	澗西污水處理廠二期擴建工程	Luoyang, Henan Province, the PRC	洛陽市水務局	BOT on sewage treatment	100,000	30 years from 2015 to 2045
42.	永州水務向家亭水質淨化有限公司	向家亭污水處理廠提標改造工程	Yongzhou, Hunan Province, the PRC	永州市城市管理行政執法局	BOT on sewage treatment	100,000	27 years from 2019 to 2045

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SERVICE CONCESSION ARRANGEMENTS (Continued)

No.	Name of company as operator	Name of plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity (m ³ /day)	Service concession period
Subsidiaries: (Continued)							
43.	湖南北控水務發展有限公司	長沙市敢勝坑污水處理廠及配套工程一期	Changsha, Hunan Province, the PRC	長沙市住房和城鄉建設委員會	TOT on sewage treatment	100,000	26 years from 2019 to 2045
44.	台州市黃岩北控污水處理有限公司	黃岩江口污水處理廠改擴建項目	Taizhou, Zhejiang Province, the PRC	台州市黃岩區住房和城鄉建設局	BOT on sewage treatment	120,000	21 years from 2018 to 2039
45.	洛陽北控原水有限公司	洛陽市故縣水庫引水工程	Luoyang, Henan Province, the PRC	洛陽市水務局	BOT on water supply	432,000	50 years from 2021 to 2069
46.	廣州增城北控水處理有限公司	廣東增城區中心城區污水處理系統工程一期	Guangzhou, Guangdong Province, the PRC	廣州市增城區水務設施管理師	BOT on sewage treatment	150,000	27 years from 2021 to 2048
47.	赤峰北控三座店供水有限公司	內蒙赤峰三座店水利樞紐中心城區引供水工程	Chifeng, Inner Mongolia, the PRC	赤峰市水利局	BOT on water supply	122,320	23 years from 2020 to 2043
48.	成都龍泉北控水務有限公司	陡溝河污水處理廠二廠	Chengdu, Sichuan Province, the PRC	成都市龍泉驛區水務局	BOT on sewage treatment	100,000	28 years from 2021 to 2048
49.	湖南北控水務發展有限公司	蘇托坑污水處理廠	Changsha, Hunan Province, the PRC	長沙市住房和城鄉建設委員會	BOT on sewage treatment	100,000	26 years from 2021 to 2045
50.	青島中科成污水淨化有限公司	膠州污水處理廠三期	Jiaozhou, Shandong Province, the PRC	膠州市城鄉建設局	BOT on sewage treatment	100,000	30 years from 2020 to 2050
51.	北控(洛陽)水務發展有限公司	洛陽市新區污水處理廠二期	Luoyang, Henan Province, the PRC	洛陽市水務局	BOT on sewage treatment	100,000	30 years from 2020 to 2050
52.	銀川瀚寧水務有限公司	寧夏自治區銀川市第一再生水廠	Yinchuan, Ningxia Hui Nationality Autonomous Region, the PRC	銀川市市政管理局	BOT on reclaimed water treatment	300,000	30 years from 2022 to 2052
53.	濟源北控制水有限公司	濟源市第三水廠一期	Jiyuan, Henan Province, the PRC	濟源市住房和城鄉建設局	BOT on water supply	150,000	30 years from 2020 to 2049
54.	鞍山市北水鞍達水務發展有限公司	鞍山城域達道灣污水處理廠	Anshan, Liaoning Province, the PRC	鞍山市住房和城鄉建設局	TOT on sewage treatment	100,000	30 years from 2022 to 2052
55.	三河北控燕郊自來水有限公司	三河市燕郊供水項目	Sanhe, Hebei Province, the PRC	三河市水務局	TOT on water supply	210,000	30 years from 2022 to 2052

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

No.	Name of company as operator	Name of plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity (m ³ /day)	Service concession period
Joint ventures:							
56.	伊犁北控水務有限公司	伊寧市城市地表水供水項目	Yining, Xinjiang Uyghur Autonomous Region, the PRC	伊寧市水務局	BOT on water supply	200,000	30 years from 2019 to 2049
57.	大慶市北控水務有限公司	大慶市光明污水處理廠	Daqing, Heilongjiang Province, the PRC	大慶市城市管理委員會	BOT on sewage treatment	165,000	30 years from 2019 to 2049
58.	貴陽北控水務有限責任公司 ("Guiyang BEWG")	貴陽市城市供水廠	Guiyang, Guizhou Province, the PRC	貴陽市城市管理局	BOT on water distribution	1,000,000	30 years from 2011 to 2041
59.	海寧實康水務有限公司	浙江海寧供水廠	Haining, Zhejiang Province, the PRC	浙江海寧市人民政府	TOT on water distribution	300,000	30 years from 2013 to 2043
60.	朝陽市北控水務有限公司	朝陽淨源污水處理廠	Chaoyang City, Liaoning Province, the PRC	朝陽市人民政府國有資產監督管理委員會	TOT on sewage treatment	100,000	30 years from 2016 to 2046
61.	邢臺北控水務有限公司	河北邢臺召馬地表水廠第一期	Xingtai, Hebei Province, the PRC	邢臺市水務局	BOT on water supply	150,000	30 years from 2017 to 2047

The above table lists the service concession arrangements of the Group which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all other service concession arrangements would, in the opinion of the directors, result in particulars of excessive length.

Pursuant to the service concession agreements entered into by the Group, the Group is granted the rights to use the property, plant and equipment of the Facilities and the related land, which are generally registered under the names of the relevant companies in the Group, during the service concession periods, but the Group is generally required to surrender these assets to the grantors at a specified level of serviceability at the end of the respective Service Concession Periods. As at 31 December 2023, the Group was in the process of applying for the change of registration of the title certificates with respect to certain land use rights and buildings of certain Facilities to which the Group's service concession arrangements relate. The directors of the Company are of the opinion that the Group is entitled to the lawful and valid occupation or use of these buildings and land to which the above-mentioned land use rights relate, and that the Group would not have any legal barriers in obtaining the proper title certificates.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

At 31 December 2023, certain sewage treatment and water distribution concession rights of the Group (comprising operating concessions and receivables under service concession arrangements) with an aggregate carrying amount of RMB28,794,263,000 (2022: RMB22,789,193,000) were pledged to secure certain bank loans granted to the Group (note 35).

As further explained in the accounting policy for “Service concession arrangements” set out in note 3.4 to the financial statements, the consideration paid by the Group for a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivable under a service concession arrangement) or a combination of both, as appropriate. The following is the summarised information of the intangible asset component (operating concessions) and the financial asset component (receivables under service concession arrangements) with respect to the Group’s service concession arrangements:

Operating concessions

	2023 RMB'000	2022 RMB'000 (restated)
At 1 January:		
Cost	11,644,401	9,833,473
Accumulated amortisation	(2,134,995)	(1,530,666)
Net carrying amount	9,509,406	8,302,807
Net carrying amount:		
At 1 January	9,509,406	8,302,807
Additions	1,545,029	1,480,961
Amortisation provided during the year <i>(note 7)</i>	(704,741)	(498,699)
Acquisition of subsidiaries <i>(note 44)</i>	138,756	209,911
Disposal of subsidiaries <i>(note 45)</i>	(11,443)	–
Exchange realignment	21,681	14,426
At 31 December	10,498,688	9,509,406
At 31 December:		
Cost	13,387,386	11,644,401
Accumulated amortisation	(2,888,698)	(2,134,995)
Net carrying amount	10,498,688	9,509,406

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Receivables under service concession arrangements

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Receivables under service concession arrangements	59,337,460	58,561,517
Impairment <i>(note (b))</i>	(300,415)	(254,008)
	59,037,045	58,307,509
Portion classified as current assets	(7,967,191)	(6,853,459)
	51,069,854	51,454,050

Notes:

- (a) 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 <i>RMB'000</i>	2022 <i>RMB'000</i> (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	1,180,943
	7,967,191	6,853,459
Unbilled:		
Non-current portion*	51,069,854	51,454,050
Total	59,037,045	58,307,509

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Receivables under service concession arrangements *(Continued)*

Notes: *(Continued)*

- (b) The movements in the loss allowance for impairment of the Group's receivables under service concession arrangements during the year are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
At 1 January	254,008	231,157
Impairment losses, net	46,407	22,851
At 31 December	300,415	254,008

The increase (2022: increase) in the loss allowance was due to the changes in the gross carrying amount of the receivables under service concession arrangements mainly attributable to the commencement of operations of BOT and TOT projects.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2023, the probability of default applied ranged from 0.11% to 1.83% (2022: 0.11% to 1.81%), and the loss given default was estimated to be ranged from 54.70% to 64.90% (2022: 54.70% to 64.90%).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Receivables under service concession arrangements *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Set out below is the information about the credit risk exposure of the Group's receivables under service concession arrangements using the probability of default approach:

As at 31 December 2023

	Stage 1 Collective <i>RMB'000</i>	Stage 2 Collective <i>RMB'000</i>	Stage 3 Collective <i>RMB'000</i>	Purchased or originated credit- impaired ("POCI") <i>RMB'000</i>	Total <i>RMB'000</i>
ECL allowance as at 1 January 2023	17,507	236,501	–	–	254,008
New assets originated	458	5,633	–	–	6,091
Repaid (excluding write-offs)	(13,095)	(209,974)	–	–	(223,069)
Transfers to Stage 2	(1,973)	1,973	–	–	–
Loss allowance recognised	23,164	240,221	–	–	263,385
At 31 December 2023	26,061	274,354	–	–	300,415

As at 31 December 2022

	Stage 1 Collective <i>RMB'000</i> (restated)	Stage 2 Collective <i>RMB'000</i> (restated)	Stage 3 Collective <i>RMB'000</i> (restated)	Purchased or originated credit- impaired ("POCI") <i>RMB'000</i> (restated)	Total <i>RMB'000</i> (restated)
ECL allowance as at 1 January 2022	9,861	221,296	–	–	231,157
New assets originated	1,475	10,676	–	–	12,151
Repaid (excluding write-offs)	(7,399)	–	–	–	(7,399)
Transfers to Stage 2	(2,480)	2,480	–	–	–
Loss allowance recognised	16,050	2,049	–	–	18,099
At 31 December 2022	17,507	236,501	–	–	254,008

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. OTHER INTANGIBLE ASSETS

	Patents <i>RMB'000</i>	Computer software <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2023			
At 1 January 2023:			
Cost	8,202	627,786	635,988
Accumulated amortisation	(4,132)	(229,404)	(233,536)
Net carrying amount	4,070	398,382	402,452
Net carrying amount:			
At 1 January 2023	4,070	398,382	402,452
Additions	6	75,263	75,269
Disposal	–	(235)	(235)
Amortisation provided during the year	(624)	(50,720)	(51,344)
Exchange realignment	–	212	212
At 31 December 2023	3,452	422,902	426,354
At 31 December 2023:			
Cost	8,208	700,675	708,883
Accumulated amortisation	(4,756)	(277,773)	(282,529)
Net carrying amount	3,452	422,902	426,354

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. OTHER INTANGIBLE ASSETS *(Continued)*

	Patents <i>RMB'000</i> (restated)	Computer software <i>RMB'000</i> (restated)	Total <i>RMB'000</i> (restated)
Year ended 31 December 2022			
At 1 January 2022:			
Cost	8,904	496,073	504,977
Accumulated amortisation	(3,085)	(170,790)	(173,875)
Net carrying amount	5,819	325,283	331,102
Net carrying amount:			
At 1 January 2022	5,819	325,283	331,102
Acquisition of subsidiaries <i>(note 44)</i>	–	6,678	6,678
Additions	–	158,361	158,361
Disposal	–	(40,917)	(40,917)
Disposal of subsidiaries <i>(note 45)</i>	–	(1)	(1)
Amortisation provided during the year	(1,749)	(53,207)	(54,956)
Exchange realignment	–	2,185	2,185
At 31 December 2022	4,070	398,382	402,452
At 31 December 2022:			
Cost	8,202	627,786	635,988
Accumulated amortisation	(4,132)	(229,404)	(233,536)
Net carrying amount	4,070	398,382	402,452

NOTES TO FINANCIAL STATEMENTS

31 December 2023

20. INVESTMENTS IN JOINT VENTURES

	Notes	2023 RMB'000	2022 RMB'000 (restated)
Investments in joint ventures, included in non-current assets:			
Share of net assets		9,789,043	8,917,417
Goodwill on acquisition	(c)	423,062	419,652
		10,212,105	9,337,069
Due from joint ventures, included in current assets			
	(d), 27	1,489,744	1,167,928
Due to joint ventures, included in current liabilities			
	(d), 41	(901,361)	(1,168,052)
Total interests in joint ventures		10,800,488	9,336,945

Particulars of the Group's interests in the major joint ventures are as follows:

Company name	Place of incorporation/ registration and operations	Paid-up capital/ registered capital	Percentage of			
			Ownership interest attributable to the Group	Voting power	Profit sharing	Principal activities
Guiyang BEWG**	PRC/Chinese Mainland	RMB1,456,162,145/ RMB1,456,162,145	45	45	45	Water distribution
洛陽北控水務集團有限公司 ("Luoyang BEWG")*	PRC/Chinese Mainland	RMB200,000,000/ RMB200,000,000	40	40	40	Water distribution, reclaimed water treatment and heating services
天津市華博水務有限公司 ("Tianjin Huabo")*	PRC/Chinese Mainland	RMB588,235,294/ RMB588,235,294	49	49	49	Sewage treatment and construction services
北控南南君悅(天津)投資合夥企業 (有限合夥)*	PRC/Chinese Mainland	RMB685,254,000/ RMB726,000,000	20.19	(a)	(a)	Fund investment
北京北控國壽投資基金管理中心 (有限合夥)*	PRC/Chinese Mainland	RMB3,415,239,000/ RMB24,002,400,000	–	(b)	(b)	Fund investment

Directly held by the Company

* In the opinion of the directors, the joint ventures were not individually material to the Group in the current and prior years. Hence, no disclosure of their financial information has been made.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

20. INVESTMENTS IN JOINT VENTURES *(Continued)*

Notes:

- (a) In 2017, the Group (as deferred limited partner) entered into a limited partnership agreement (the “Junyue Partnership Agreement”) with an investment management company (as preferential limited partner), and a joint venture investor (also as deferred limited partner) in relation to the establishment and management of a fund (the “Junyue Fund”). The Junyue Fund shall focus on investing in water and water environmental comprehensive projects in certain cities in Chinese Mainland.

Pursuant to the Junyue Partnership Agreement, the capital commitment of the Junyue Fund is approximately RMB3.1 billion. In 2022, according to the resolution approved by all the partners, the registered capital of Junyue Fund has been revised from RMB628 million to RMB726 million. As at 31 December 2023, the total investment contributed by the preferential limited partner and the Group as a deferred limited partner in the Junyue Fund amounted to RMB538 million (2022: RMB559 million) and RMB147 million (2022: RMB147 million), respectively. During the year ended 31 December 2023, the paid-up capital of RMB21 million (2022: Nil) was reduced and paid to the preferential limited partner.

The preferential limited partner shall have priority to be entitled to the expected principal and return among all the partners in distribution and dissolution. In the event of loss, the loss shall be shared by all the partners in accordance with the percentage of capital contribution.

In January 2021, China Life (as defined below) has acquired all the equity interests from the preferential limited partner. According to the equity transfer agreement, the new preferential limited partner, China Life, will not entitle to any undertakings provided by the deferred limited partners.

As all the significant relevant activities of the Junyue Fund require the unanimous consent from all limited partners, the Junyue Fund is accounted for as a joint venture.

- (b) In 2017, the Group (as intermediate limited partner) entered into a master limited partnership agreement (“China Life Partnership Agreement”) with China Life Insurance Company Limited (“China Life”) (as preferential limited partner) and a joint venture investor (as deferred limited partner) in relation to the establishment and management of a master fund. The master fund shall focus on investing in water and water environmental comprehensive projects which had been invested by different subordinated funds in Chinese Mainland.

Pursuant to the China Life Partnership Agreement, the aggregate capital commitment of the master fund was approximately RMB24 billion. As at 31 December 2023, the total investment contributed by China Life in the master fund amounted to approximately RMB3,415 million (2022: RMB3,483 million). The intermediate and deferred limited partners are not required to contribute the capital unless and until the general partner may issue a written notice to them to seek the relevant capital contribution pursuant to the China Life Partnership Agreement. No capital was contributed by the intermediate and deferred limited partners and all the capital in the master fund has been invested to four subordinated funds as at 31 December 2023 and 2022. During the year ended 31 December 2023, the paid-up capital of RMB68 million (2022: Nil) was reduced and paid to the preferential limited partner.

China Life shall have priority to be entitled to the expected principal and return among all the partners in distribution and dissolution. In the event of loss, China Life shall share the loss lastly.

As all the significant relevant activities of the master fund require the unanimous consent from all limited partners, the master fund is accounted for as a joint venture.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

20. INVESTMENTS IN JOINT VENTURES *(Continued)*

Notes: *(Continued)*

(c) The movements in the goodwill included in the investments in joint ventures during the year are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Cost and net carrying amount:		
At 1 January	419,652	409,419
Exchange realignment	3,410	10,233
At 31 December	423,062	419,652

(d) (i) Included in the amounts due from joint ventures of the Group as at 31 December 2023 included (i) an advance to a joint venture of nil (2022: US\$26,390,000 (equivalent to RMB181,064,000)). The amount was unsecured, bore floating interest at LIBOR plus 1.5% (2022: 1.5%) per annum and was repayable on demand. Interest income of RMB4,500,000 (2022: RMB5,822,000) was recognised in profit or loss during the year ended 31 December 2023. The advance was fully settled during the year ended 31 December 2023; (ii) an advance to a joint venture of RMB127,252,000 (2022: RMB122,500,000). The amount is unsecured, bears interest at 4.9% per annum and is repayable on demand. Interest income of RMB6,253,000 (2022: RMB6,284,000) was recognised in profit or loss during the year ended 31 December 2023; and (iii) advances to a joint venture of RMB82,310,000 (2022: Nil) in aggregate. The amounts are unsecured, bear interest at a range of 4.9% to 8.5% per annum and are repayable on demand. Interest income of RMB8,635,000 (2022: Nil) in aggregate was recognised in profit or loss during the year ended 31 December 2023.

(ii) Other than the above balances and those mentioned in note 6, the amounts due from/to joint ventures included in current assets and current liabilities of the Group as at 31 December 2023 and 2022 are unsecured, interest-free and are repayable on demand. There were no recent history of default and past due amounts for the amounts due from joint ventures. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

(e) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Share of the joint ventures' profits for the year	561,184	560,747
Share of the joint ventures' total comprehensive income for the year	571,098	561,540
Aggregate carrying amount of the Group's investments in the joint ventures	10,212,105	9,337,069

NOTES TO FINANCIAL STATEMENTS

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21. INVESTMENTS IN ASSOCIATES

	<i>Notes</i>	2023 RMB'000	2022 RMB'000 (restated)
Investments in associates, included in non-current assets:			
Share of net assets		2,932,124	2,952,490
Goodwill on acquisition	<i>(c)</i>	382,207	376,275
	<i>(d)</i>	3,314,331	3,328,765
Due from associates, included in current assets	<i>(b), 27</i>	16,184	24,574
Due to associates, excluding trade payables, included in current liabilities	<i>(b), 41</i>	(143,225)	(61,831)
Total investments in associates		3,187,290	3,291,508

Notes:

(a) Particulars of the Group's interests in the major associates are as follows:

Company name	Place of incorporation	Issued capital/ paid-up capital	Percentage of			
			Ownership interest attributable to the Group	Voting power	Profit sharing	Principal activities
Shandong Hi-Speed New Energy Group Limited* ("SDHS New Energy")	Cayman Islands	HK\$112,329,436	18.03	18.03	18.03	Management of photovoltaic power business, wind power business, and clean heat supply business
長沙威保特環保科技股份有限公司*	PRC/Chinese Mainland	RMB242,680,000	35.6	35.6	35.6	Provision of urban services, sewage treatment services and others
金科環境股份有限公司*	PRC/Chinese Mainland	RMB123,119,025	17.18	17.18	17.18	Provision of environmental protection services, sewage treatment service and others

* In the opinion of the directors, these associates were not individually material to the Group in the current and prior years. Hence, no disclosure of its financial information has been made.

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21. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes: (Continued)

- (b) (i) An advance to an associate of RMB200,000,000 bearing interest at 8% per annum and repayable on demand and another advance to an associate of RMB500,000,000 bearing interest at 8% per annum and repayable in 2022 were fully settled during the year ended 31 December 2022. Interest income of totaling RMB1,977,000 was recognised in profit or loss during the year ended 31 December 2022.
- (ii) Other than the above balance and those mentioned in note 6 to the financial statements, the amounts due from/to associates included in current assets and current liabilities of the Group as at 31 December 2023 and 2022 are unsecured, interest-free and repayable on demand. There were no recent history of default and past due amounts for the amounts due from associate. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.
- (c) The movements in the goodwill included in the investments in associates during the year are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Cost and net carrying amount:		
At 1 January	376,275	551,316
Deemed disposal loss <i>(note)</i>	–	(204,855)
Exchange realignment	5,932	29,814
At 31 December	382,207	376,275

Note:

On 19 May 2022, SDHS New Energy issued and allotted 48,804,039,247 new shares to Profit Plan Global Investment Limited, an independent third party of the Group, at the subscription price of HK\$0.096 per subscription share for the total consideration of HK\$4,685,188,000 (equivalent to RMB4,029,262,000). Accordingly, the Company's indirect equity interest in SDHS New Energy was diluted from 31.88% to approximately 18.03%, resulting in a loss on deemed disposal of partial interest in an associate of RMB938,220,000 and derecognition of goodwill upon deemed disposal of RMB204,855,000 during the year ended 31 December 2022.

- (d) The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Share of the associates' profits for the year	83,848	104,708
Share of the associates' total comprehensive loss	(69,143)	(193,226)
Aggregate carrying amount of the Group's investments in associates	3,314,331	3,328,765

NOTES TO FINANCIAL STATEMENTS

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000 (restated)
Unlisted equity investments, at fair value	10,105	–

Note:

The unlisted equity investments with limited life were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows were not solely payments of principal and interest as at 31 December 2023.

23. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000 (restated)
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value	99,573	147,168
Unlisted equity investments, at fair value	641,020	645,601
	740,593	792,769

- (a) The above equity investments were irrevocably designated as equity instruments at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

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23. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

- (b) The fair values of equity investments designated at fair value through other comprehensive income have been estimated using the market approach and by reference to the quoted market price and were classified as Level 2 in the fair value hierarchy.

The fair values of the remaining equity investments designated at fair value through other comprehensive income have been estimated on 31 December 2023 and 2022 by Beijing North Asia Asset Assessment Firm, using the market approach were classified as Level 3 in the fair value hierarchy. The directors determine comparable public companies (peers) based on industry, size and leverage, and calculate an appropriate price multiple, such as the price to book value (“P/B”) multiple (2022: P/B multiple), for each comparable company identified. The multiple is then discounted for considerations such as illiquidity based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding net assets of the unlisted equity investments to measure the fair value. The directors consider that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Set out below is a summary of the valuation technique used and the key inputs to the valuation of equity investments designated at fair value through other comprehensive income together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Valuation multiples	Average P/B multiple of peers	2023: 0.7x to 3.6x (2022: 0.7x to 3.4x)	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB21,258,000 (2022: RMB20,750,000)
	Discount for lack of marketability	2023: 11.4% to 29.0% (2022: 14.8% to 35.7%)	5% increase/decrease in discount would result in decrease/increase in fair value by RMB4,505,000 (2022: RMB5,801,000)

NOTES TO FINANCIAL STATEMENTS

31 December 2023

23. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

(c) Fair value hierarchy

The movements in fair value measurements within Level 3 are as follows:

	<i>RMB'000</i> (restated)
At 1 January 2022	401,502
Acquisition of subsidiaries (note 44)	5,059
Additions	178,841
Transfer from Level 1	360,306
Fair value loss recognised in other comprehensive income	(360,306)
Disposals	(16,704)
Exchange realignment	22,098
At 31 December 2022 and 1 January 2022	590,796
Additions	3,083
Reclassification	(10,105)
Disposals	(9,852)
Exchange realignment	11,047
At 31 December 2023	584,969

During the year ended 31 December 2022, the fair value measurement of a listed equity investment designated at fair value through other comprehensive income amounting to RMB360,306,000 was transferred from Level 1 to Level 3. Except for the aforementioned transfer, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial assets for the years ended 31 December 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS

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24. INVENTORIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Raw materials	322,124	314,751
Finished goods	33,195	28,702
Total	355,319	343,453

25. AMOUNTS DUE FROM CONTRACT CUSTOMERS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Contract costs arising from construction services provided plus recognised profits less recognised losses to date	26,618,567	24,090,233
Impairment (<i>note</i>)	(325,205)	(249,192)
	26,293,362	23,841,041
Portion classified as current assets	(3,828,172)	(3,864,316)
Non-current portion	22,465,190	19,976,725

Amounts due from contract customers are initially recognised for revenue earned from the construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as amounts due from contract customers are reclassified to contract assets included in receivables under service concession arrangements and operating concession for BOT arrangements and trade receivables for other construction contracts when the rights to considerations are unconditional. The increase in amounts due from contract customers in 2023 was the result of the increase in the ongoing provision of construction services during the year. The decrease in amounts due from contract customers in 2022 was the result of completion of certain comprehensive renovation projects during the year, the related amounts due from contract customers were transferred to trade receivables upon completion. During the year ended 31 December 2023, RMB76,013,000 (2022: RMB118,306,000) was recognised as an allowance for expected credit losses on amounts due from contract customers. The Group's trading terms and credit policy with customers are disclosed in notes 18 and 26 to the financial statements, respectively.

As at 31 December 2023, amounts due from contract customers of nil (2022: RMB52,270,000) were designated as a charge for the repayment of corporate bonds, details of which are disclosed in note 36 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

25. AMOUNTS DUE FROM CONTRACT CUSTOMERS *(Continued)*

Note: The movements in the loss allowance for impairment of amounts due from contract customers are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
At 1 January	249,192	130,886
Impairment losses, net	76,013	118,306
At 31 December	325,205	249,192

The increase in 2023 (2022: increase) in the loss allowance was due to the increase in aging of amounts due from contract customers.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2023, the probability of default applied ranged from 0.12% to 40.41% (2022: 0.11% to 29.20%) and the loss given default was estimated to range from 56.20% to 64.90% (2022: 54.70% to 64.90%).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

25. AMOUNTS DUE FROM CONTRACT CUSTOMERS *(Continued)*

Set out below is the information about the credit risk exposure of the Group's amounts due from contract customers using the probability of default approach:

	Stage 1 Collective RMB'000	Stage 2 Collective RMB'000	Stage 3 Collective RMB'000	POCI RMB'000	Total RMB'000
As at 31 December 2023					
ECL allowance as at 1 January 2023	13,866	235,326	–	–	249,192
New assets originated	4,116	–	–	–	4,116
Repaid (excluding write-offs)	(4,555)	(1,973)	–	–	(6,528)
Loss allowance recognised	3,370	75,055	–	–	78,425
At 31 December 2023	16,797	308,408	–	–	325,205
	Stage 1 Collective RMB'000 (restated)	Stage 2 Collective RMB'000 (restated)	Stage 3 Collective RMB'000 (restated)	POCI RMB'000 (restated)	Total RMB'000 (restated)
As at 31 December 2022					
ECL allowance as at 1 January 2022	13,595	117,291	–	–	130,886
New assets originated	1,064	–	–	–	1,064
Repaid (excluding write-offs)	(3,526)	–	–	–	(3,526)
Loss allowance recognised	2,733	118,035	–	–	120,768
At 31 December 2022	13,866	235,326	–	–	249,192

NOTES TO FINANCIAL STATEMENTS

31 December 2023

26. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000 (restated)
Trade receivables	21,894,269	21,442,884
Impairment (<i>note (c)</i>)	(562,459)	(442,461)
	21,331,810	21,000,423
Portion classified as current assets	(9,800,179)	(9,693,573)
	11,531,631	11,306,850

Notes:

- (a) 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, who 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 RMB'000	2022 RMB'000 (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 an 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

- * 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 service agreements entered into between the Group and the contract customers.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

26. TRADE RECEIVABLES *(Continued)*

Notes: *(Continued)*

- (b) Included in the trade receivables of the Group as at 31 December 2023 was an aggregate amount of RMB2,392,000 (2022: RMB2,392,000) due from 北京北控環保工程技術有限公司, a wholly-owned subsidiary of Beijing Enterprises Holdings Limited (“BEHL”), which is a substantial beneficial shareholder of the Company, arising from the sewage treatment equipment trading carried out in the ordinary course of business of the Group. The balance is unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.
- (c) The movements in the Group’s the loss allowance for impairment of trade receivables during the year are as follows:

	2023 RMB'000	2022 RMB'000 (restated)
At 1 January	442,461	303,645
Impairment losses, net	119,998	123,969
Acquisition of subsidiaries (note 44(d))	–	14,847
At 31 December	562,459	442,461

The increase in 2023 (2022: increase) in the loss allowance was due to the increase in aging of trade receivables.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2023, the probability of default applied ranged from 0.12% to 38.90% (2022: 0.11% to 29.20%) and the loss given default was estimated to range from 54.30% to 64.90% (2022: 54.30% to 64.90%).

Set out below is the information about the credit risk exposure of the Group’s trade receivables using the probability of default approach:

	Stage 1 Collective RMB'000	Stage 2 Collective RMB'000	Stage 3 Collective RMB'000	POCI RMB'000	Total RMB'000
As at 31 December 2023					
ECL allowance as at 1 January 2023	220,324	222,137	–	–	442,461
New assets originated	3,917	–	–	–	3,917
Repaid (excluding write-offs)	(2,925)	–	–	–	(2,925)
Transfer to Stage 2	(3,560)	3,560	–	–	–
Loss allowance recognised	51,301	67,705	–	–	119,006
At 31 December 2023	269,057	293,402	–	–	562,459

NOTES TO FINANCIAL STATEMENTS

31 December 2023

26. TRADE RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

	Stage 1 Collective <i>RMB'000</i> (restated)	Stage 2 Collective <i>RMB'000</i> (restated)	Stage 3 Collective <i>RMB'000</i> (restated)	POCI <i>RMB'000</i> (restated)	Total <i>RMB'000</i> (restated)
As at 31 December 2022					
ECL allowance as at 1 January 2022	177,849	125,796	–	–	303,645
New assets originated	3,303	–	–	–	3,303
Repaid (excluding write-offs)	(3,123)	–	–	–	(3,123)
Transfer to Stage 2	(1,863)	1,863	–	–	–
Acquisition of subsidiaries	14,847	–	–	–	14,847
Loss allowance recognised	29,311	94,478	–	–	123,789
At 31 December 2022	220,324	222,137	–	–	442,461

(d) The Group did not hold any material collateral or other credit enhancements over trade receivable balances.

(e) At 31 December 2023, certain trade receivables of the Group with an aggregate amount of RMB1,687,156,000 (2022: RMB1,649,151,000) were pledged to secure certain bank loan granted to the Group (note 35).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Prepayments		398,346	658,595
Deposits and other debtors	<i>(a)</i>	5,385,383	5,096,796
Advances to subcontractors and suppliers	<i>(b)</i>	2,262,504	3,049,280
Due from joint ventures	<i>20(d)</i>	1,489,744	1,167,928
Due from associates	<i>21(b)</i>	16,184	24,574
Due from non-controlling equity holders	<i>(c)</i>	215,114	215,114
Due from other related parties	<i>28</i>	214,642	238,307
		9,981,917	10,450,594
Impairment	<i>(d)</i>	(799,079)	(904,064)
		9,182,838	9,546,530
Portion classified as current assets		(7,985,547)	(8,160,606)
Non-current portion		1,197,291	1,385,924

Notes:

(a) The Group's deposits and other debtors as at 31 December 2023 and 2022 included, inter alia, the following:

- (i) loans and related interest receivables of RMB128,582,000 (2022: RMB165,546,000) in aggregate provided to various government authorities in Chinese Mainland as part of the construction funding for certain comprehensive renovation projects undertaken by these government authorities. Certain of these loans bear interest at 4.75% (2022: 4.75%) per annum.

The above loans and the corresponding interest receivables of RMB128,582,000 (2022: RMB165,546,000) in aggregate are classified as non-current assets. The above balances are secured by proceeds from the disposal of certain land use rights owned by the relevant government authorities in Chinese Mainland. RMB36,964,000 (2022: RMB241,625,000) was settled during the year ended 31 December 2023.

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31 December 2023

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

(a) *(Continued)*

(ii) a loan amount of nil (2022: RMB151,280,000) provided to a former joint venture partner, for capital injection of the joint venture which was disposed of by the Group in prior years. The balance was secured, bore interest at 12% per annum and was repayable on demand and was classified as a non-current asset. The balance was fully settled during the year ended 31 December 2023.

(iii) investment/bidding deposits of RMB54,733,000 (2022: RMB66,809,000) in aggregate paid to certain government authorities in the PRC for acquiring certain sewage and reclaimed water treatment operations which are classified as current assets.

(iv) included corporate income tax recoverable of RMB162,450,000 (2022: RMB123,298,000) as at 31 December 2023.

(b) Included in the Group's advances to subcontractors and suppliers were advance payments in an aggregate amount of RMB315,470,000 (2022: RMB315,470,000) made by certain subsidiaries of the Group to subcontractors for construction services to be performed on a certain comprehensive renovation project entered into between the Group and government authorities in the PRC in prior years. The construction of this project was delayed and the subcontractor had returned an aggregate amount of RMB315,470,000 (2022: RMB315,470,000) of these advance payments to the other subsidiaries of the Group. As the criteria for offsetting financial instruments are not met, the refunded amounts are included in "Other payables and accruals" on the face of the consolidated statement of financial position (note 41).

(c) A loan and related interest receivables of RMB54,138,000 (2022: RMB54,138,000) were provided to a non-controlling equity holder of a subsidiary. The balance is unsecured, bears interest of the benchmark interest rate for 3 to 5-year RMB loans published by the People's Bank of China increased by 25% per annum, is repayable on demand and is classified as a current asset.

Other than the above balances, the amounts due from non-controlling equity holders included in current assets of the Group as at 31 December 2023 and 2022 are unsecured, interest-free and repayable on demand.

(d) The movements in the loss allowance for impairment of other receivables are as follows:

	2023	2022
	RMB'000	RMB'000
		(restated)
At 1 January	904,064	655,685
Impairment losses/(reversal of impairment), net	(104,985)	248,379
At 31 December	799,079	904,064

NOTES TO FINANCIAL STATEMENTS

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(d) *(Continued)*

The decrease in the loss allowance in 2023 was due to the settlement of a long aged overdue receivable which has been impaired in prior years. The increase in the loss allowance in 2022 was due to the increase in ageing of overdue receivables.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probability of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2023, the probability of default applied ranged from 0.11% to 100% (2022: 0.11% to 100%) and the loss given default was estimated to range from 54.30% to 100% (2022: 54.30% to 100%).

Set out below is the information about the credit risk exposure of the Group's deposits and other receivables using the probability of default approach:

	Stage 1 Collective RMB'000	Stage 2 Collective RMB'000	Stage 3 Collective RMB'000	POCI RMB'000	Total RMB'000
As at 31 December 2023					
ECL allowance as at 1 January 2023	174,067	23,726	706,271	–	904,064
New assets originated	48	–	–	–	48
Repaid/settlement (excluding write-offs)	(8,167)	–	(104,440)	–	(112,607)
Loss allowance recognised	67	6,413	1,094	–	7,574
At 31 December 2023	166,015	30,139	602,925	–	799,079

	Stage 1 Collective RMB'000 (restated)	Stage 2 Collective RMB'000 (restated)	Stage 3 Collective RMB'000 (restated)	POCI RMB'000 (restated)	Total RMB'000 (restated)
As at 31 December 2022					
ECL allowance as at 1 January 2022	171,835	19,623	464,227	–	655,685
New assets originated	25	306	–	–	331
Repaid (excluding write-offs)	(557)	(56)	–	–	(613)
Transfer to Stage 3	–	(894)	894	–	–
Loss allowance recognised	2,764	4,747	241,150	–	248,661
At 31 December 2022	174,067	23,726	706,271	–	904,064

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28. BALANCES WITH RELATED PARTIES

The balances with related parties are unsecured, interest-free and are repayable on demand, except for the balances with related companies of the Group included in trade receivables, other receivables and other payables are disclosed in notes 26, 27 and 41 to the financial statements, respectively.

29. RESTRICTED CASH AND PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Cash and bank balances:		
Placed in banks	9,651,750	10,721,055
Placed in a financial institution (<i>note 50(e)</i>)	557,699	1,214,316
Time deposits:		
Placed in banks	238,979	144,756
Total cash and bank balances	10,448,428	12,080,127
Less: Restricted cash and pledged deposits (<i>note (a)</i>)	(233,267)	(495,926)
Cash and cash equivalents	10,215,161	11,584,201

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31 December 2023

29. RESTRICTED CASH AND PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

(Continued)

Notes:

- (a) The Group's restricted cash and pledged deposits as at 31 December 2023 included the following:
- (i) bank deposits of RMB214,014,000 (2022: RMB341,763,000) which could only be used for the construction of sewage treatment facilities and other infrastructural facilities undertaken by the Group;
 - (ii) bank deposits of RMB7,185,000 (2022: RMB9,965,000) pledged to banks for the issuance of guarantees and to secure certain banking facilities granted to the Group (note 35);
 - (iii) bank deposits of RMB12,068,000 (2022: RMB19,407,000) were pledged to the banks for the bill facilities granted; and
 - (iv) bank deposits of nil (2022: RMB124,791,000) were designated as a charge for the repayment of corporate bonds (note 36).
- (b) As at 31 December 2023, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB9,594,034,000 (2022: RMB10,360,002,000) is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.
- (c) The Group's bank balances are deposited with creditworthy banks with no recent history of defaults.

30. SHARE CAPITAL

Shares

	2023 HK\$'000	2022 HK\$'000
Authorised:		
15,000,000,000 ordinary shares of HK\$0.10 each	1,500,000	1,500,000
	2023 RMB'000	2022 RMB'000 (restated)
Issued and fully paid:		
10,046,609,871 (2022: 10,046,609,871) ordinary shares of HK\$0.10 each	834,250	834,250

NOTES TO FINANCIAL STATEMENTS

31 December 2023

30. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

A summary of the movements in the Company's issued share capital during the years ended 31 December 2023 and 2022 is as follows:

	<i>Note</i>	Number of ordinary shares in issue	Issued capital <i>RMB'000</i> (restated)	Share premium account <i>RMB'000</i> (restated)	Total <i>RMB'000</i> (restated)
At 1 January 2022		10,135,821,871	842,375	2,464,107	3,306,482
Share repurchased and cancelled	<i>(a)</i>	(89,212,000)	(8,125)	(140,714)	(148,839)
At 31 December 2022, 1 January 2023 and 31 December 2023		10,046,609,871	834,250	2,323,393	3,157,643

Note:

- (a) During the year ended 31 December 2022, the Company repurchased 89,212,000 ordinary shares on the Stock Exchange for a total consideration of HK\$163,444,000 (equivalent to RMB148,839,000) (after expenses). The purchased shares were cancelled during the year ended 31 December 2022 and the issued share capital of the Company was reduced by the par value of approximately HK\$8,921,000 (equivalent to RMB8,125,000). The premium paid on the repurchase of the shares of HK\$154,523,000 (equivalent to RMB140,714,000) were charged into the share premium of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

31. SHARE OPTION SCHEME

The Company operated a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group’s operations. Eligible participants of the Scheme included the directors and independent non-executive directors of the Company, and other employees of the Group. The Scheme became effective on 28 June 2011 and, unless otherwise cancelled or amended, would remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme was an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of passing the resolution for adoption of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period was limited to 1% of the shares of the Company in issue at any time. The Scheme was expired on 27 June 2021. No further share options would be granted under the Scheme but in respect of all share options which remained exercisable on such date, the provision of the Scheme shall remain in full force and effect.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the ordinary shares of the Company in issue at any time or with an aggregate value (based on the price ordinary shares of the Company at the date of grant) in excess of HK\$5 million, within any 12-month period, were subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted was determinable by the directors, and commences after a vesting period of one to five years and ends on a date which was not later than 10 years from the date of grant of the share options.

The exercise price of share options was determinable by the directors, but may not be less than the highest of (i) the closing price of ordinary shares of the Company on Stock Exchange on the date of grant of the share options; (ii) the average closing price of ordinary shares of the Company on Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of ordinary shares of the Company of HK\$0.10. The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in share capital of the Company.

Share options did not confer rights on the holders to dividends or to vote at shareholders’ meetings. The share options were non-transferrable and will lapse upon expiry or the grantee ceases to be an employee of the Group pursuant to the terms of the Scheme.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

31. SHARE OPTION SCHEME *(Continued)*

The movements in share options outstanding under the Scheme during the year are as follows:

	2023		2022	
	Weighted average exercise price <i>HK\$</i> <i>per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>HK\$</i> <i>per share</i>	Number of options <i>'000</i>
At 1 January	2.285	142,500	2.285	142,500
Lapsed during the year	2.244	(140,500)	–	–
At 31 December	5.180	2,000	2.285	142,500

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2023 Number of options <i>'000</i>	2022 Number of options <i>'000</i>	Exercise price* <i>HK\$ per share</i>	Exercise periods
–	9,796	2.244	24-4-2014 to 23-4-2023
–	22,084	2.244	24-4-2015 to 23-4-2023
–	26,740	2.244	24-4-2016 to 23-4-2023
–	39,820	2.244	24-4-2017 to 23-4-2023
–	42,060	2.244	24-4-2018 to 23-4-2023
2,000	2,000	5.180	1-6-2016 to 27-3-2024
2,000	142,500		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

31. SHARE OPTION SCHEME *(Continued)*

Notes:

- (a) No share option expense was recognised during the years ended 31 December 2023 and 2022 as the expense was fully amortised in prior years.
- (b) No (2022: Nil) share options were exercised during the year.
- (c) At the end of the reporting period, the Company had 2,000,000 share options outstanding under the Scheme, which represented approximately 0.02% of the Company's shares in issue as at 31 December 2023. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,000,000 additional ordinary shares of the Company and additional share capital of RMB180,000 and share premium of RMB9,144,000 (before issue expenses, and taking into account the share option reserve) as at 31 December 2023.

Subsequent to the end of the reporting period, no share options were exercised.

32. SHARE AWARD SCHEME

The Company operates a share award scheme (the "Share Award Scheme") for the purpose of recognising the contributions by certain employees, directors and consultants of the Group and encourage them for the continual operation and development of the Group, and attract excellent talent for further development of the Group. The Share Award Scheme became effective on 17 December 2018 and shall be valid and effective for a term of 5 years commencing on the adoption date and ending on the expiry of the trust period which may be extended by the Board at its absolute discretion. On 14 December 2023, the Board resolved to extend the Share Award Scheme for five further years after the expiry of an initial five-year term until 16 December 2028. As at the date of approval of these financial statements, the remaining life of the Share Award Scheme is approximately four years and eight months.

Pursuant to the Share Award Scheme, the Company shall cause to pay the trustee, the sum for the purchase of the existing awarded shares and the related expenses. The trustee shall purchase the existing Shares from the market and shall hold such Shares until they are vested in accordance with the scheme rules. The trustee shall not exercise the voting rights in respect of any Shares held by it under the trust (including but not limited to the awarded Shares). Subject to the terms and conditions of the Share Award Scheme and the fulfilment of all vesting conditions to (i.e. performance targets) the vesting of the awarded shares, the awarded shares shall be held by the trustee on behalf of the selected participants until the end of the vesting period. The selected participants are not required to pay any purchase price for the vested Shares. The awarded shares will be transferred.

The Company shall not make any further award of awarded shares which will result in the aggregate number of shares held by the trustee under the Share Award Scheme at any single point in time exceeding 2% of the total issued share capital of the Company from time to time. Further details of the Share Award Scheme are set out in the announcement of the Company dated 17 December 2018.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

32. SHARE AWARD SCHEME *(Continued)*

Movements of the Company's shares held under the Share Award Scheme are as follows:

	Number of ordinary shares held under share award scheme account	Amount RMB'000 (restated)
At 1 January 2022	31,790,458	100,735
Exercised during the year	(140,920)	(434)
Purchased during the year <i>(note (a))</i>	21,776,000	36,930
At 31 December 2022 and 1 January 2023	53,425,538	137,231
Exercised during the year	(34,926,044)	(91,998)
At 31 December 2023	18,499,494	45,233

Notes:

- (a) During the year ended 31 December 2022, 21,776,000 ordinary shares of the Company were purchased by the trustee from the open market at an aggregate consideration of approximately RMB36,930,000. The amount has been deducted from shareholders' equity and recorded in "Shares held under share award scheme" of the Group. As at 31 December 2023, there were 18,499,494 (2022: 53,425,538) ordinary shares held through the trustee of the Share Award Scheme.

13,261,718 (2022: 21,664,326) awarded shares were granted during the year ended 31 December 2023.

- (b) On 13 July 2023, the Company granted an aggregate of 391,378 awarded shares to two directors, namely Mr. Li Haifeng and Mr. Tung Woon Cheung Eric, and 12,870,340 awarded shares (collectively referred to as the "2023 Awarded Shares") to other employees of the Group (collectively referred to as the "2023 Selected Participants"). Further details of the grant are set out in the announcement of the Company dated 13 July 2023.

On 2 December 2022, the Company granted an aggregate of 3,843,216 awarded shares to four directors, namely Mr. Zhou Min, Mr. Li Haifeng, Mr. Tung Woon Cheung Eric and Mr. Li Li, and 17,821,110 awarded shares (collectively referred to as the "2022 Awarded Shares") to other employees of the Group (collectively referred to as the "2022 Selected Participants"). Further details of the grant are set out in the announcement of the Company dated 2 December 2022.

Subject to the acceptance of the Selected Participants and that the Selected Participants remain as eligible persons, the 2023 and 2022 Awarded Shares will be transferred to the 2023 and 2022 Selected Participants at nil consideration while vested.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

32. SHARE AWARD SCHEME *(Continued)*

Notes: (Continued)

(b) *(Continued)*

The fair value of equity-settled share awards granted during the year ended 31 December 2023 amounted to RMB22,678,000 (2022: RMB36,517,000) in total, which was estimated determined based on the closing market price at the date of the grant.

The Group recognised a share award expense of RMB22,678,000 (2022: RMB36,517,000) for the year ended 31 December 2023, in respect of the Awarded Shares granted during the year.

Movements in the number of the Awarded Shares and their related average fair value are as follows:

	2023		2022	
	Average fair value <i>HK\$</i> <i>per share</i>	Number of shares	Average fair value <i>HK\$</i> <i>per share</i>	Number of shares
At 1 January	1.96	21,664,326	3.01	140,920
Granted	1.90	13,261,718	1.96	21,664,326
Exercised	1.94	(34,926,044)	3.01	(140,920)
At 31 December		–		21,664,326

NOTES TO FINANCIAL STATEMENTS

31 December 2023

33. RESERVES

- (a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.
- (b) The share option and share award reserve comprises the fair value of share options and share awards vested which are yet to be exercised and the share awards granted, as further explained in the accounting policy of share-based payments in note 3.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options and share awards are exercised, or transferred to retained profits should the related share options or share awards lapse or be forfeited.
- (c) The PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries, joint ventures and associates. None of the Group's PRC reserve funds as at 31 December 2023 and 2022 were distributable in the form of cash dividends.

34. PERPETUAL CAPITAL INSTRUMENTS

	<i>Notes</i>	2023 RMB'000	2022 RMB'000 (restated)
At 1 January		3,482,738	3,482,738
Issuance of perpetual capital instruments		1,993,641	–
Share of profit for the year		162,940	131,718
Distribution for the year		(162,940)	(131,718)
At 31 December		5,476,379	3,482,738
Portion classified as equity attributable to shareholders of the Company	<i>(b)</i>	(2,991,002)	(997,361)
Portion directly attributable to holders of perpetual capital instruments	<i>(a)</i>	2,485,377	2,485,377

NOTES TO FINANCIAL STATEMENTS

31 December 2023

34. PERPETUAL CAPITAL INSTRUMENTS *(Continued)*

Notes:

- (a) In 2021, a PRC wholly-owned subsidiary of the Group issued two perpetual capital instruments (the “Perpetual Capital Instruments III”) with the aggregate principal amount of RMB2,500,000,000. Net proceeds after deducting the issuance costs amounted to RMB2,485,377,000.

During the year ended 31 December 2023, distributions with an aggregate of RMB92,656,000 (2022: RMB92,650,000) were declared to the holders of the Perpetual Capital Instruments III, and the amount has been fully paid during the year.

- (b) On 11 May 2020, the Company issued a perpetual capital instrument (the “Perpetual Capital Instrument II”) with a principal amount of RMB1,000,000,000. Net proceeds after deducting the issuance costs amounted to RMB997,361,000.

On 24 May 2023, the Company issued a perpetual capital instrument (the “Perpetual Capital Instrument IV”) with a principal amount of RMB1,000,000,000. Net proceeds after deducting the issuance costs amounted to RMB996,761,000.

On 11 August 2023, the Company issued two perpetual capital instruments (the “Perpetual Capital Instruments V”) with the aggregate principal amount of RMB1,000,000,000. Net proceeds after deducting the issuance costs amounted to RMB996,880,000.

During the year ended 31 December 2023, distributions with an aggregate of RMB70,284,000 (2022: RMB39,068,000) were declared to the holders of the Perpetual Capital Instrument II, Perpetual Capital Instrument IV and Perpetual Capital Instruments V of which RMB55,524,000 (2022: RMB24,955,000) has not been paid and recorded in other payables as at 31 December 2023.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

35. BANK AND OTHER BORROWINGS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Bank loans:		
Secured	22,072,523	22,021,912
Unsecured	36,949,715	32,799,053
	59,022,238	54,820,965
Other loans:		
Secured	663,813	615,289
Unsecured	588,681	730,043
	1,252,494	1,345,332
Total bank and other borrowings	60,274,732	56,166,297
Analysed into:		
Bank loans repayable:		
Within one year or on demand	9,889,096	7,240,621
In the second year	8,552,497	6,011,162
In the third to fifth years, inclusive	24,855,423	28,732,388
Beyond five years	15,725,222	12,836,794
	59,022,238	54,820,965
Other loans repayable:		
Within one year or on demand	477,844	287,666
In the second year	270,802	246,085
In the third to fifth years, inclusive	349,878	526,245
Beyond five years	153,970	285,336
	1,252,494	1,345,332
Total bank and other borrowings	60,274,732	56,166,297
Portion classified as current liabilities	(10,366,940)	(7,528,287)
Non-current portion	49,907,792	48,638,010

NOTES TO FINANCIAL STATEMENTS

31 December 2023

35. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

- (a) The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000 (restated)
HK\$	21,592,930	23,263,757
RMB	37,765,387	31,143,865
EUR	77,240	218,039
SGD	574,688	536,311
AUD	264,487	1,004,325
	60,274,732	56,166,297

- (b) The effective interest rates (per annum) at the end of the reporting period were as follows:

	2023	2022
Bank loans:		
Secured	0.60% – 6.00%	1.85% – 5.94%
Unsecured	1.20% – 5.89%	1.11% – 6.70%
Other loans:		
Secured	4.10% – 4.90%	3.07% – 4.90%
Unsecured	1.20% – 5.39%	1.20% – 5.55%

- (c) Certain of the Group's bank loans are secured by:

- (i) mortgages over certain sewage treatment and water distribution concession rights (comprising operating concessions and receivables under service concession arrangements) in a net carrying amount of RMB28,794,263,000 (2022: RMB22,789,193,000) as at 31 December 2023, which are under the management of the Group pursuant to the relevant service concession agreements signed with the grantors (note 18);
- (ii) guarantees given by the Company and/or its subsidiaries;
- (iii) bank deposits of RMB7,185,000 (2022: RMB9,965,000) pledged to banks for the issuance of guarantees and to secure certain banking facilities granted to the Group as at 31 December 2023 (note 29);
- (iv) mortgages over certain land use rights and buildings and investment properties in Chinese Mainland in an aggregate carrying amount of RMB1,406,458,000 (2022: RMB1,380,477,000) as at 31 December 2023 (notes 14, 15 and 16);
- (v) mortgages over certain trade receivables with a net carrying amount of RMB1,687,156,000 (2022: RMB1,649,151,000) as at 31 December 2023 (note 26); and
- (vi) pledges over the Group's equity interests in certain subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

35. BANK AND OTHER BORROWINGS *(Continued)*

Notes: (Continued)

- (d) The Group's bank and other borrowings bear interest at floating rates, except for the following:
- (i) bank and other loans in an aggregate principal amount of RMB209,097,000 (2022: RMB233,841,000) bearing interest at fixed rates ranging from 1.2% to 3.9% (2022: 1.2% to 4.05%) per annum; and
 - (ii) Three (2022: three) interest-free government loans in an aggregate principal amount of RMB14,291,000 (2022: RMB21,925,000).
- (e) Loan agreements of certain bank loans of the Group in an aggregate carrying amount of RMB27,743,542,000 (2022: RMB24,481,805,000) as at 31 December 2023 include covenants imposing specific performance obligations on BEHL, a substantial beneficial shareholder of the Company, among which any one of the following events would constitute events of default on the loan facilities:
- (i) if BEHL does not or ceases to beneficially own, directly or indirectly, at least 35%, where applicable, of the issued share capital of the Company;
 - (ii) if Beijing Enterprises Group Company Limited ("BEGCL"), a substantial shareholder of the Company, does not or ceases to beneficially own, directly or indirectly, at least 40%, where applicable, of the voting rights in BEHL; and/or
 - (iii) if BEHL/BEGCL ceases to be controlled and supervised by the People's Government of Beijing Municipality.

Based on the directors' best belief and knowledge, none of the above events took place during the year and as at the date of approval of these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

36. CORPORATE BONDS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Secured corporate bonds repayable:		
Within one year	–	126,173
In the second year	–	46,394
	–	172,567
Unsecured corporate bonds, repayable:		
Within one year	1,998,952	6,432,131
In the second year	1,996,722	1,995,481
In the third to fifth years, inclusive	7,984,849	5,489,597
Beyond five years	1,989,406	1,987,829
	13,969,929	15,905,038
Total corporate bonds	13,969,929	16,077,605
Portion classified as current liabilities	(1,998,952)	(6,558,304)
Non-current portion	11,970,977	9,519,301

NOTES TO FINANCIAL STATEMENTS

31 December 2023

36. CORPORATE BONDS *(Continued)*

Corporate bonds of the Group as at 31 December 2023 and 2022 comprised:

- (i) corporate bonds with an aggregate principal amount of MYR400,000,000 (the “MYR Bonds”) issued by a wholly-owned subsidiary to certain institutional investors in July 2017, bearing interest at rates ranging from 5.1% to 5.5% per annum and guaranteed by the Company. Bank deposits of nil (2022: MYR79,126,000 (equivalent to RMB124,791,000)) (note 29), and amounts due from contract customers of nil (2022: MYR33,142,000 (equivalent to RMB52,270,000)) (note 25) were designated as a charge for the repayment of the MYR Bonds. The MYR Bonds are due for repayment starting from 17 July 2020. The Group had repaid MYR290,584,000 as at 31 December 2022 and the remaining balance was fully settled during the year ended 31 December 2023;
- (ii) corporate bonds with an aggregate principal amount of US\$500,000,000 (the “US\$ Bonds”) issued by a wholly-owned subsidiary to certain institutional investors in May 2018, bearing interest rate of 4.95% per annum and guaranteed by the Company. The US\$ Bonds were fully settled during the year ended 31 December 2023;
- (iii) corporate bonds with an aggregate principal amount of RMB3,000,000,000 (the “Third Panda Bonds”) issued by the Company to certain institutional investors in May 2018 pursuant to the offering announcement dated 28 May 2018, bearing interest at rates of 4.92% and 5.1% per annum. The Third Panda Bonds are due for repayment on 25 May 2023 and 25 May 2025. Two years prior to the maturity, the company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company; The Group repaid RMB2,000,000,000 during the year ended 31 December 2021, the remaining balance was fully settled during the year ended 31 December 2023;
- (iv) corporate bonds with an aggregate principal amount of RMB3,000,000,000 (the “Fourth Panda Bonds”) issued by the Company to certain institutional investors in July 2018 pursuant to the offering announcement dated 16 July 2018, bearing interest at rates of 4.45% and 4.72% per annum. The Fourth Panda Bonds are due for repayment on 20 July 2023 and 20 July 2025. Two years prior to the maturity, the company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company; The Group repaid RMB1,000,000,000 during the year ended 31 December 2021, the remaining balance was fully settled during the year ended 31 December 2023;
- (v) corporate bonds with an aggregate principal amount of RMB2,000,000,000 (the “Fifth Panda Bonds”) issued by the Company to certain institutional investors in January 2019 pursuant to the offering announcement dated 11 January 2019, bearing interest at rates of 3.95% and 4.49% per annum. The Fifth Panda Bonds are due for repayment on 11 January 2026 and 11 January 2029. For the bonds that due in 2026, two years prior to the maturity, the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company;

NOTES TO FINANCIAL STATEMENTS

31 December 2023

36. CORPORATE BONDS *(Continued)*

- (vi) corporate bonds with an aggregate principal amount of RMB2,000,000,000 (the “First Medium-Term Notes”) issued by a wholly-owned subsidiary to certain institutional investors in February 2020 pursuant to the subscription agreement dated 27 February 2020, bearing interest at rates of 3.43% and 3.98% per annum. The First Medium-Term Notes are due for repayment on 5 March 2028 and 5 March 2030. For the bonds that due in 2028, three years prior to the maturity, the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company;
- (vii) corporate bonds with an aggregate principal amount of RMB1,500,000,000 (the “Sixth Panda Bonds”) issued by the Company to certain institutional investors in April 2021 pursuant to the subscription agreement dated 23 April 2021, bearing interest at a rate of 3.98% per annum. The Sixth Panda Bonds are due for repayment on 23 April 2029. Three years prior to the maturity, the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company;
- (viii) corporate bonds with an aggregate principal amount of RMB2,000,000,000 (the “Seventh Panda Bonds”) issued by the Company to certain institutional investors in July 2021 pursuant to the subscription agreement dated 14 July 2021, bearing interest at rates of 3.27% and 3.64% per annum. The Seventh Panda Bonds are due for repayment on 14 July 2026. For RMB1,000,000,000 of the bonds, two years prior to the maturity, the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company.
- (ix) corporate bonds with an aggregate principal amount of RMB2,000,000,000 (the “Eighth Panda Bonds”) issued by the Company to certain institutional investors in January 2022 pursuant to the subscription agreement dated 20 January 2022, bearing interest at rates of 2.97% and 3.38% per annum. The Eighth Panda Bonds are due for repayment on 19 January 2027. For RMB1,000,000,000 of the bonds, two years prior to the maturity, the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company.
- (x) corporate bonds with an aggregate principal amount of RMB1,500,000,000 (the “Ninth Panda Bonds”) issued by the Company to certain institutional investors in March 2023 pursuant to the subscription agreement dated 17 March 2023, bearing interest at rates of 2.98% and 3.50% per annum. The Ninth Panda Bonds are due for repayment on 23 March 2028. For RMB500,000,000 of the bonds, two years prior to the maturity, the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

36. CORPORATE BONDS *(Continued)*

- (xi) corporate bonds with an aggregate principal amount of RMB1,000,000,000 (the “Tenth Panda Bonds”) issued by the Company to certain institutional investors in June 2023 pursuant to the subscription agreement dated 29 May 2023, bearing interest at a rate of 3.06% per annum. The Tenth Panda Bonds are due for repayment on 2 June 2028. Two years prior to the maturity, the Company shall be entitled to adjust the coupon rate of corporate bonds and the bond holders shall be entitled to sell back the bonds to the Company.
- (xii) corporate bonds with an aggregate principal amount of RMB1,000,000,000 (the “Second Medium-Term Notes”) issued by a wholly-owned subsidiary to certain institutional investors in September 2023 pursuant to the subscription agreement dated 19 September 2023, bearing interest at a rate of 3.35% per annum. The Second Medium-Term Notes are due for repayment on 22 September 2028.
- (xiii) corporate bonds with an aggregate principal amount of RMB1,000,000,000 (the Third Medium-Term Notes”) issued by a wholly-owned subsidiary to certain institutional investors in October 2023 pursuant to the subscription agreement dated 12 October 2023, bearing interest at rates of 3.30% per annum. The Third Medium-Term Notes are due for repayment on 18 October 2028.

The corporate bonds at 31 December 2023 will be due for repayment on the aforementioned maturity dates unless being redeemed prior to their maturity pursuant to the terms thereof and of the indenture. In addition, the US\$ Bonds and certain Panda Bonds include covenants imposing specific performance obligations on BEHL/BEGCL, among which any one of the following events would constitute events of default:

- (i) if BEHL/BEGCL does not or ceases to beneficially own, directly or indirectly, at least 35% of the voting rights of the issued share capital of the Company;
- (ii) if BEHL/BEGCL does not or ceases to supervise the Company;
- (iii) if BEHL/BEGCL is not or ceases to be, directly or indirectly, the single largest shareholder of the Company; and/or
- (iv) if the nominees of BEHL/BEGCL cease to comprise the majority of the members of the Company’s board of directors.

Based on the best belief and knowledge of the Company’s directors, none of the above events took place during the year and as at the date of approval of these financial statements.

NOTES TO FINANCIAL STATEMENTS

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37. PROVISION FOR MAJOR OVERHAULS

Pursuant to the service concession agreements entered into by the Group, the Group has contractual obligations to maintain the Facilities under its operation to a specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the grantors at the end of the Service Concession Periods. These contractual obligations to maintain or restore the Facilities, except for any upgrade element, are recognised and measured in accordance with HKAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as “major overhauls”. The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

The movements in the provision for major overhauls of the Facilities during the year are as follows:

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i> (restated)
At 1 January		365,668	247,776
Arising from acquisition	<i>44</i>	2,689	47,746
Disposal of subsidiaries	<i>45</i>	(3,053)	–
Provision for the year	<i>7</i>	295,542	257,014
Reassessment of post-closure provision for landfills in Chinese Mainland		76,336	–
Increase in discounted amounts arising from the passage of time	<i>8</i>	37,732	34,182
Amount utilised during the year		(251,178)	(226,393)
Exchange realignment		638	5,343
At 31 December		524,374	365,668

NOTES TO FINANCIAL STATEMENTS

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38. DEFERRED INCOME

Deferred income of the Group mainly represented 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 industrial land in the PRC for hazardous waste treatment business.

These government subsidies are recognised in profit or loss on the straight-line basis over the expected useful lives of the relevant assets.

39. DEFERRED TAX

Net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Deferred tax assets	388,254	387,791
Deferred tax liabilities	(4,677,768)	(4,430,626)
	(4,289,514)	(4,042,835)

NOTES TO FINANCIAL STATEMENTS

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39. DEFERRED TAX *(Continued)*

The components of deferred tax assets and liabilities and their movements during the year are as follows:

	Notes	Attributable to								Net deferred tax assets/(liabilities) RMB'000
		Fair value adjustments arising from acquisition of subsidiaries RMB'000	Impairment provision RMB'000	Provision for major overhauls RMB'000	Temporary differences related to service concession arrangements RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Revaluation of properties RMB'000	Losses available for offsetting against future taxable profits RMB'000	
At 31 December 2021 (restated)		(312,461)	210,580	64,860	(3,707,949)	–	–	(8,514)	2,131	(3,751,353)
Effect of adoption of amendments to HKAS 12	3.2c	–	–	–	–	(47,779)	52,751	–	–	4,972
At 1 January 2022 (restated)		(312,461)	210,580	64,860	(3,707,949)	(47,779)	52,751	(8,514)	2,131	(3,746,381)
Net deferred tax charged to profit or loss (restated)	11	(2,092)	70,320	24,511	(348,394)	(522)	182	–	–	(255,995)
Acquisition of subsidiaries (restated)	44	–	–	11,937	(97,170)	–	–	–	–	(85,233)
Exchange realignment (restated)		–	–	–	44,795	(140)	170	–	(51)	44,774
At 31 December 2022 and 1 January 2023 (restated)		(314,553)	280,900	101,308	(4,108,718)	(48,441)	53,103	(8,514)	2,080	(4,042,835)
Net deferred tax charged to profit or loss	11	(4,646)	21,903	2,497	(290,461)	6,830	(6,594)	–	–	(270,471)
Acquisition of subsidiaries	44	(16,654)	–	–	–	–	–	–	–	(16,654)
Disposal of subsidiaries	45	–	–	–	32,390	–	–	–	–	32,390
Exchange realignment		–	–	–	8,056	–	–	–	–	8,056
At 31 December 2023		(335,853)	302,803	103,805	(4,358,733)	(41,611)	46,509	(8,514)	2,080	(4,289,514)

Notes:

- (a) As at 31 December 2023, the Group has tax losses arising in Hong Kong of RMB709,420,000 (2022: RMB645,975,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of RMB20,217,000 (2022: RMB34,789,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in certain subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

- (b) The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group.

At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB6,435,860,000 (2022: RMB6,105,520,000) as at 31 December 2023.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

40. 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 <i>RMB'000</i>	2022 <i>RMB'000</i> (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 an 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.

NOTES TO FINANCIAL STATEMENTS

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41. OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	2023 RMB'000	2022 RMB'000 (restated)
Accruals		1,262,070	1,190,274
Other liabilities	<i>(a)</i>	3,497,253	4,522,185
Contract liabilities	<i>(b)</i>	1,224,344	1,304,590
Due to subcontractors	<i>(c)</i>	723,556	791,720
Due to joint ventures	<i>20(d)</i>	901,361	1,168,052
Due to associates	<i>21(b)</i>	143,225	61,831
Due to other related parties	<i>(d)</i>	206,592	198,727
Other taxes payables	<i>42</i>	789,926	746,963
		8,748,327	9,984,342
Portion classified as current liabilities		(8,056,499)	(9,301,826)
Non-current portion		691,828	682,516

Notes:

- (a) The Group's other liabilities as at 31 December 2023 and 2022 included, inter alia, outstanding considerations in an aggregate amount of RMB615,123,000 (2022: RMB1,070,425,000) payable to various governmental authorities in Chinese Mainland for the construction or transfer of sewage treatment and water distribution facilities to the Group under the BOT or TOT arrangements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

41. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes: (Continued)

(b) Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000 (restated)	1 January 2022 RMB'000 (restated)
Construction services	1,089,270	1,067,596	1,069,666
Others	135,074	236,994	142,045
Total contract liabilities	1,224,344	1,304,590	1,211,711

The decrease and increase in contract liabilities in 2023 and 2022, respectively, was mainly due to the decrease and the increase in short-term advances received from customers in relation to the provision of construction, technical and consultancy services at the end of the year, respectively.

(c) The amounts due to subcontractors of the Group as at 31 December 2023 included refunds from certain subcontractors of advances made by the Group for certain construction services for comprehensive renovation projects in an aggregate amount of RMB315,470,000 (2022: RMB315,470,000), as further detailed in note 27 to the financial statements.

(d) Included in the amounts due to related parties of the Group as at 31 December 2023 were an advance from a related party of SGD15,224,000 (equivalent to RMB81,303,000) (2022: SGD14,397,000 (equivalent to RMB74,619,000)). The amount is unsecured, bears interest at a fixed rate of 2.5% per annum and is repayable by quarterly instalments. Interest expense of RMB1,907,000 (2022: RMB1,785,000) was recognised in profit or loss during the year ended 31 December 2023.

(e) Other payables are non-interest-bearing and have an average credit term of three months.

42. OTHER TAXES PAYABLES

	2023 RMB'000	2022 RMB'000 (restated)
Business tax	27,688	35,519
Value-added taxes	666,838	583,180
Others	95,400	128,264
	789,926	746,963

NOTES TO FINANCIAL STATEMENTS

31 December 2023

43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	BEWG Environmental Group (“北控中科成”) <i>(note a)</i>		BCEG Environmental and its subsidiaries (“BCEG Group”)	
	2023	2022	2023	2022
Percentage of equity interest held by non-controlling interests:	35.59%	35.59%	61.35%	61.35%
	2023 RMB'000	2022 RMB'000 (restated)	2023 RMB'000	2022 RMB'000 (restated)
Profit for the year allocated to non-controlling interests:	573,629	598,114	84,564	76,089
Accumulated balances of non-controlling interests at the reporting date:	9,000,406	8,426,777	1,555,904	1,497,140

NOTES TO FINANCIAL STATEMENTS

31 December 2023

43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(Continued)

The following table illustrates the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	BEWG Environmental Group		BCEG Group	
	2023 RMB'000	2022 RMB'000 (restated)	2023 RMB'000	2022 RMB'000 (restated)
Revenue	4,558,745	4,833,300	458,163	568,232
Interest income	185,085	155,813	2,305	8,599
Total expenses	(3,132,059)	(3,259,428)	(322,630)	(452,808)
Profit for the year	1,611,771	1,729,685	137,838	124,023
Total comprehensive income/(loss) for the year	1,611,771	1,729,685	137,838	124,023
Current assets	16,889,710	15,700,532	1,171,935	1,059,898
Non-current assets	31,966,836	33,896,885	2,985,575	3,221,908
Current liabilities	(14,208,386)	(15,114,737)	(840,369)	(1,054,315)
Non-current liabilities	(7,764,966)	(8,699,249)	(797,088)	(808,042)
Net cash flows from/(used in):				
Operating activities	1,321,168	2,166,418	289,069	(11,778)
Investing activities	(223,827)	(530,655)	3,506	14,087
Financing activities	(926,081)	(759,233)	(169,258)	118,598
Net increase/(decrease) in cash and cash equivalents	171,260	876,540	123,317	120,907

Notes:

- (a) In June and July 2021, the non-controlling shareholder further made cash contributions of in aggregate of RMB4.5 billion to BEWG Environmental Group. Upon completion of the second capital injections, the Group's percentage of shareholding in BEWG Environmental Group was further diluted from 85.45% to 64.41%.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

43. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(Continued)

Notes: *(Continued)*

(a) *(Continued)*

After the completion of the capital injections, the Group is entitled at its discretion to acquire the equity interest in BEWG Environmental. In the event of any of the following specific circumstances occurs, amongst others, the Group shall have the option to purchase the equity interest at its discretion from the investor, including but not limited to:

- (i) BEWG Environmental is unable to complete a qualified listing of its shares within 12 months before 2030.
- (ii) BEWG Environmental is unable to meet the performance requirements as stipulated in the capital injection agreement.
- (iii) BEWG Environmental is unable to meet the distributable profits requirements as stipulated in the capital injection agreement.
- (iv) BEWG Environmental is unable to meet the net asset value requirements from 2025 as stipulated in the capital injection agreement.
- (v) Valuation of BEWG Environmental is less than the agreed valuation as stipulated in the capital injection agreement.

Upon the occurrence of the above circumstances, but the Group does not exercise the option to purchase the equity interest, the investor shall have the following rights:

- (i) to request to amend the articles of association of BEWG Environmental, such that the investor will hold (i) two-thirds or more of the voting rights in the shareholders' meeting of BEWG Environmental; and (ii) two-thirds or more of the voting rights in the board of directors of BEWG Environmental by adjusting the composition of the board of directors of BEWG Environmental;
- (ii) to exercise the drag-along right to sell the equity interest based on the fair value determined by an independent valuer and provided that the Group shall procure other original shareholders of BEWG Environmental to use their best endeavours to assist the investor in exercising the drag-along right;
- (iii) to request to increase the dividend ratio; and
- (iv) to request the Group to inject cash for their responsible part of unpaid capital injections.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

44. BUSINESS COMBINATIONS

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 31 December 2023 as at their respective dates of acquisition are set out as follows:

	<i>Note</i>	2023 RMB'000
Property, plant and equipment		61
Operating concessions		138,756
Inventories		111
Trade receivables	(b)	29,613
Deferred tax assets		444
Prepayments, deposits and other receivables	(b)	2,146
Cash and cash equivalents		3,717
Trade payables		(4,318)
Other payables and accruals		(36,218)
Income tax payables		(818)
Provision for major overhauls		(2,689)
Deferred tax liabilities		(17,098)
Total identifiable net assets at fair value		113,707
Goodwill on acquisition		17,573
		131,280
Satisfied by:		
Cash		131,280
Revenue for the year since acquisition [#]		14,300
Profit for the year since acquisition		4,700

[#] Revenue for the year since acquisition comprises revenue, interest income and other income and gains, net.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2023 RMB'000
Cash consideration	(131,280)
Cash and cash equivalents acquired	3,717
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(127,563)

Had the above business combinations taken place at the beginning of the year ended 31 December 2023, the Group's profit for the year ended 31 December 2023 would have been RMB3,068,877,000 and the Group's revenue would have been RMB24,537,376,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

44. BUSINESS COMBINATIONS *(Continued)*

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 31 December 2022 as at their respective dates of acquisition are set out as follows:

	<i>Note</i>	2022 <i>RMB'000</i> (restated)
Property, plant and equipment		2,885,654
Right-of-use assets		342,963
Operating concessions		209,911
Investment in joint ventures		35,601
Other intangible assets		6,678
Equity investments designated at fair value through other comprehensive income		5,059
Amounts due from contract customers	<i>(d)</i>	26,459
Receivables under operating concession arrangements	<i>(d)</i>	493,996
Inventories		91,943
Trade receivables	<i>(d)</i>	2,030,710
Deferred tax assets		41,340
Prepayments, deposits and other receivables	<i>(d)</i>	457,938
Cash and cash equivalents		1,389,836
Deferred income		(158,759)
Trade payables		(368,711)
Other payables and accruals		(960,408)
Lease liabilities		(166,324)
Income tax payables		(77,440)
Bank and other borrowings		(2,249,020)
Provision for major overhauls		(47,746)
Deferred tax liabilities		(126,573)
Total identifiable net assets at fair value		3,863,107
Non-controlling interests		(2,315,228)
		1,547,879
Goodwill on acquisition		108,782
Gains on bargain purchase		(160,550)
		1,496,111

NOTES TO FINANCIAL STATEMENTS

31 December 2023

44. BUSINESS COMBINATIONS *(Continued)*

	2022 RMB'000 (restated)
Satisfied by:	
Cash	522,876
Remeasurement of investment in associate previously held shares	973,235
	1,496,111
Revenue for the year since acquisition [#]	2,536,063
Profit for the year since acquisition	173,162

[#] *Revenue for the year since acquisition comprises revenue, interest income and other income and gains, net.*

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2022 RMB'000 (restated)
Cash consideration	(522,876)
Cash and cash equivalents acquired	1,389,836
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	866,960

Had the above business combinations taken place at the beginning of the year ended 31 December 2022, the Group's profit for the year ended 31 December 2022 would have been RMB2,678,074,000 and the Group's revenue would have been RMB26,043,453,000.

Notes:

- (a) Business combinations during the year ended 31 December 2023 included, inter alia, the following material transactions:
- (i) In January 2023, the Group completed the acquisition of the 100% equity interest in a company which is engaged in the provision of sewage treatment service in the PRC, at an aggregate cash consideration of RMB28,300,000 from a third party. The company has become a wholly-owned subsidiary of the Group since then.
 - (ii) In September 2023, the Group completed the acquisition of the 100% equity interest in a company and its subsidiary which is engaged in the provision of sewage treatment service in the PRC, at an aggregate cash consideration of RMB102,980,000 from a third party. The company and its subsidiary has become wholly-owned subsidiaries since then.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

44. BUSINESS COMBINATIONS *(Continued)*

Notes: (Continued)

- (a) Business combinations during the year ended 31 December 2023 included, inter alia, the following material transactions: *(Continued)*

The purpose of the above acquisitions is to expand the operations of the Group in the sewage treatment service fields.

The goodwill arising on the above acquisitions is attributable to the benefits of synergies and expected business growth as a result of future market development.

- (b) The fair values of trade receivables, deposits and other receivables as at the respective dates of acquisitions during the year ended 31 December 2023 amounted to RMB29,613,000 and RMB1,227,000, respectively.

The gross contractual amounts of trade receivables, deposits and other receivables as at the respective dates of acquisitions were RMB29,613,000 and RMB1,227,000, respectively. No receivables are expected to be uncollectible.

- (c) Business combinations during the year ended 31 December 2022 included, inter alia, the following material transactions:

(i) In May 2022, the Group entered into an acting in concert agreement with certain third parties (“Acting In Concert Parties”) with 12.93% of the issued share capital of Beijing Enterprises Urban Resources Group Limited (“BEURG”), a then 31.23% associate of the Group and which is principally engaged in the provision of environmental hygiene, hazardous waste treatment and waste electrical and electronic equipment treatment businesses in the PRC. Pursuant to the acting in concert agreement, each of the Acting In Concert Parties irrevocably and unconditionally undertook to the Group that it would act in concert with the Group with respect to BEURG whereby each of the Acting In Concert Parties would vote in the same manner as the Group in meetings of shareholders of BEURG. In June 2022, the Group and the Acting In Concert Parties further acquired shares in BEURG, and as at 30 June 2022, the Group and the Acting In Concert Parties hold 41.06% and 19.49% of the issued share capital of BEURG, respectively. As a result, BEURG becomes a subsidiary of the Group. The Group recognised a loss on remeasurement of BEURG before consolidation of RMB148,746,000 and a gain on bargain purchase of RMB152,506,000 as a result of fair value assessment during the year which are included in “Other operating expenses, net” and “Other income and gains, net” on the face of the consolidated statement of profit or loss, respectively.

(ii) In January 2022, the Group completed the acquisition of the 70% equity interest in a company which is engaged in the provision of water supply in the PRC, at an aggregate cash consideration of RMB292,738,000 from third party. The company has become a non-wholly-owned subsidiary of the Group since then.

(iii) In January 2022, the Group completed the acquisition of the 100% equity interest in a company which is engaged in the provision of sewage treatment service in the PRC, at an aggregate cash consideration of RMB230,138,000 from third party. The company has become a wholly-owned subsidiary since then.

The purpose of the above acquisitions is to expand the operations of the Group in the respective fields.

The goodwill arising on the above acquisitions is attributable to the benefits of synergies and expected business growth as a result of future market development.

- (d) The fair values of amounts due from contract customers, receivables under service concession arrangements, trade receivables, deposits and other receivables as at the respective dates of acquisitions during the year ended 31 December 2022 amounted to RMB26,459,000, RMB493,996,000, RMB2,030,710,000 and RMB335,190,000, respectively.

The gross contractual amounts of amounts due from contract customers, receivables under service concession arrangements, trade receivables, deposits and other receivables as at the respective dates of acquisitions were RMB26,459,000, RMB493,996,000, RMB2,045,557,000 and RMB335,190,000, respectively, of which trade receivables of RMB14,847,000 are expected to be uncollectible.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

45. DISPOSAL OF SUBSIDIARIES

	<i>Note</i>	2023 RMB'000 <i>(note (a))</i>	2022 <i>RMB'000</i> <i>(note (b))</i> <i>(restated)</i>
Net assets disposed/deregistered of:			
Property, plant and equipment		179	661
Other intangible assets		–	1
Amounts due from contract customers		250,914	74,370
Receivables under service concession arrangements		71,369	51,484
Operating concessions		11,443	–
Trade receivables		–	5,207
Deferred tax assets		479	–
Inventories		694	2,848
Prepayments, deposits and other receivables		1,397	32,540
Cash and cash equivalents		6	46,734
Trade payables		(38,110)	(64,073)
Other payables and accruals		(109,878)	(41,153)
Provision for major overhauls		(3,053)	–
Deferred tax liabilities		(32,869)	–
Non-controlling interests		–	(23,814)
		152,571	84,805
Loss on disposal of subsidiaries, net		(107,518)	(35,223)
		45,053	49,582
Satisfied by:			
Cash		45,053	9,699
Reclassified to an associate	<i>(b)(i)</i>	–	18,137
Waive of an intercompany balance with a then subsidiary		–	21,746
		45,053	49,582

NOTES TO FINANCIAL STATEMENTS

31 December 2023

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

An analysis of the net inflow in respect of the disposal of subsidiaries is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Cash consideration	45,053	9,699
Cash and bank balances disposed of	(6)	(46,734)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	45,047	(37,035)

Notes:

- (a) The Group completed the following material disposal of subsidiaries during the year ended 31 December 2023:
- (i) in May 2023, the Group disposed of a 100% equity interest in a subsidiary engaging in the sewage treatment services in the PRC, for a cash consideration of RMB28,879,000; and
 - (ii) in June 2023, the Group disposed of a 100% equity interest in a subsidiary engaging in the sewage treatment services in the PRC, for a cash consideration of RMB16,174,000.
- (b) The Group completed the following material disposal of subsidiaries during the year ended 31 December 2022:
- (i) in February 2022, a subsidiary of the Group issued and allotted 5,680 new shares to independent third parties of the Group. As a result, the Group's interest in the subsidiary engaging in the consulting services in the PRC diluted from 100% to 43.2%. After the dilution, the investment was reclassified to an investment in an associate; and
 - (ii) in May 2022, the Group disposed of a 70% equity interest in a subsidiary engaging in the sewage treatment services in the PRC, for a cash consideration of RMB4,640,000.

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

- (i) During the year, the Group had non-cash additions and lease modification to right-of-use assets and lease liabilities of RMB29,860,000 (2022: RMB64,549,000) and RMB29,860,000 (2022: RMB64,549,000), respectively, in respect of lease arrangements for various assets.
- (ii) During the year, additions of property, plant and equipment and provision for major overhauls amounting to RMB76,336,000 (2022: Nil) are due to the reassessment of post-closure provision for landfills, which have no cash flow impact on the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Corporate bonds <i>RMB'000</i>	
At 1 January 2023 (restated)	56,166,297	276,022	16,077,605	
Changes from financing cash flows	670,687	(79,365)	(2,714,313)	
New leases	–	37,208	–	
Lease modification	–	(7,348)	–	
Interest expense	2,813,854	10,541	550,653	
Foreign exchange movement	623,894	2,027	55,984	
At 31 December 2023	60,274,732	239,085	13,969,929	
	Bank and other borrowings <i>RMB'000</i> (restated)	Lease liabilities <i>RMB'000</i> (restated)	Corporate bonds <i>RMB'000</i> (restated)	Notes payable <i>RMB'000</i> (restated)
At 1 January 2022	46,472,564	103,126	13,940,849	1,999,642
Changes from financing cash flows	4,097,243	(71,726)	1,185,060	(2,000,000)
New leases	–	73,540	–	–
Acquisition of subsidiaries	2,249,020	166,324	–	–
Lease modification	–	(8,991)	–	–
Interest expense	2,044,389	10,049	663,212	358
Foreign exchange movement	1,303,081	3,700	288,484	–
At 31 December 2022	56,166,297	276,022	16,077,605	–

NOTES TO FINANCIAL STATEMENTS

31 December 2023

47. CONTINGENT LIABILITIES

(a) Guarantees

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 (2022: RMB1,612,277,000) were outstanding and corporate guarantees of RMB1,973,394,000 (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.

(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 Public-Private Partnership 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, as at 31 December 2023, the Group did not have any significant contingent liabilities.

48. PLEDGE OF ASSETS

Details of the Group’s assets pledged for the Group’s bill facilities, bank and other borrowings and corporate bonds are included in notes 29(a)(iii), 35 and 36 to the financial statements, respectively. In addition, the Group’s issuance of guarantees and certain bank facilities are secured by pledged time deposits of the Group as detailed in note 29(a).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

49. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Contracted, but not provided for:		
New service concession arrangements on:		
TOT basis	156,440	779,984
BOT basis	7,048,667	6,922,652
Build-Own-Operate basis	116,398	30,000
Construction in progress	36,253	70,428
Plant and equipment and motor vehicles	72,920	353,295
	7,430,678	8,156,359

In addition, the Group had the following commitments provided to joint ventures (including the Group's share of commitments made jointly with other joint ventures), which are not included in the above:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Contracted, but not provided for:		
Capital contribution to joint ventures	1,633,491	1,949,434
Capital contribution	9,010,411	9,010,411
	10,643,902	10,959,845

Save as disclosed above, at 31 December 2023, the Group did not have any significant commitments.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

50. RELATED PARTY TRANSACTIONS

- (a) For the year ended 31 December 2023, the Group had engaged a related company of the Group to provide water treatment engineering services for a water supply plant located in Malaysia at a service fee of RMB9,714,000 (MYR6,279,000) (2022: RMB79,551,000 (MYR50,471,000)) which was charged according to the published prices and conditions offered by the related company to its major customer.
- (b) The Group had engaged a joint venture of the Group to provide water treatment engineering services for a sewage treatment plant located in Malaysia at a service fee of RMB3,482,000 (MYR2,209,000) which was charged based on terms mutually agreed between the Group and the joint venture during the year ended 31 December 2022. There was no such transaction during the year ended 31 December 2023.

(c) **Transactions with other state-owned entities in Chinese Mainland**

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively “Other SOEs”). During the year, the Group had transactions with the Other SOEs including, but not limited to, the sale of piped water, provision of sewage treatment and construction services, bank deposits and borrowings, and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group’s business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies are not carried out on non-market terms and do not depend on whether or not the customers are the Other SOEs. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions is material related party transaction that would require separate disclosure.

(d) **Compensation of key management personnel of the Group**

	2023 RMB'000	2022 RMB'000 (restated)
Short term employee benefits	18,979	27,240
Equity-settled share award expense	670	6,478
Pension scheme contributions	307	224
Total compensation paid to key management personnel	19,956	33,942

Further details of directors’ emoluments are included in note 9 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

50. RELATED PARTY TRANSACTIONS *(Continued)*

- (e) 23 December 2020, the Company and Beijing Enterprises Group Finance Co. Ltd. (“BG Finance”) entered into a 2020 deposit services master agreement (the “2020 Deposit Agreement”) whereby the Company and BG Finance continue to carry out the transactions of similar nature from time to time under the 2020 Deposit Agreement for three years from 1 January 2021 to 31 December 2023, with the terms and conditions substantially the same as those under the deposit services master agreements and its supplemental agreements signed by both parties in 2015 and 2017. BG Finance is a non-wholly-owned subsidiary of BEGCL and an associate of BEHL and acts as a platform for members of BEGCL and BEHL for the provision of intra-group facilities through financial products including deposit-taking, money lending and custodian services. The daily aggregate of deposits placed by the Group with BG Finance (including any interest accrued thereon) during the terms of the 2020 Deposit Agreement shall not exceed HK\$1,520,000,000.

The deposits placed by the Group with BG Finance as at the end of the year amounted to RMB557,699,000 (2022: RMB1,214,316,000). The related interest income recognised in profit or loss during the year was not significant to the Group.

The above related party transaction also constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

Loans borrowed from BG Finance by the Group as at the end of the reporting period amounted to RMB4,414,330,000 (2022: RMB4,543,137,000) and bear interest at floating rates ranging from 3.05% to 4.65% per annum (2022: from 3.80% to 4.65% per annum). The related interest expenses recognised in profit or loss during the current and prior years were not significant to the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

50. RELATED PARTY TRANSACTIONS *(Continued)*

- (f) On 13 January 2020, the capital injection in cash by ABC Financial Asset Investment Co., Ltd (農銀金融資產投資有限公司) (“ABC Financial”) into Beijing Enterprises (Guangxi) Holdings Co., Ltd. (北控水務 (廣西) 集團有限公司) (the “Bei Kong Guangxi Capital Injection”), a subsidiary of the Group, was completed. Prior to completion of the Bei Kong Guangxi Capital Injection, the Group had entered into transactions with Agricultural Bank of China Limited* (中國農業銀行股份有限公司) (“ABC”) and its subsidiaries (“ABC Group”) relating to the provision of deposit services, settlement and other financial services. Upon completion of the Bei Kong Guangxi Capital Injection, ABC Financial holds 45.55% of Bei Kong Guangxi. As ABC is the ultimate controlling shareholder of ABC Financial, members of ABC Group have become connected persons of the Group. Hence, such transactions became continuing connected transactions of the Group following completion of the Bei Kong Guangxi Capital Injection pursuant to Chapter 14A of the Listing Rules. The maximum daily aggregate deposits placed by the Group with ABC Group (including any interest accrued thereon) for three financial years ending 31 December 2023 to 2025 shall not exceed RMB3,000,000,000, respectively.

The deposits placed by the Group with ABC Group as at 31 December 2023 amounted to RMB124,022,000 (2022: RMB211,382,000). The related interest income recognised in profit or loss during the current and prior years were not significant to the Group.

The above related party transaction also constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

Loans borrowed from ABC by the Group as at the end of the reporting period amounted to RMB3,073,597,000 (2022: RMB2,990,127,000) and bear interest at floating rates ranging from 3.10% to 5.39% per annum (2022: from 1.17% to 4.90% per annum). Interest expenses recognised in profit or loss during the current and prior years were not significant to the Group.

* *For identification only*

NOTES TO FINANCIAL STATEMENTS

31 December 2023

50. RELATED PARTY TRANSACTIONS *(Continued)*

- (g) The Group had provided management services and sales of goods to joint ventures of the Group for RMB37,592,000 (2022: RMB30,168,000) and the fee was charged based on terms mutually agreed between the Group and the joint ventures during the year ended 31 December 2023.
- (h) The Group had leased certain office premises to certain associates of the Group for RMB6,076,000 (2022: RMB8,281,000) which was charged based on terms mutually agreed between the Group and the associate.
- (i) The Group had provided construction services for comprehensive renovation projects located in Fuzhou City (2022: Fuzhou City and Nanjing City) in the PRC to joint ventures of the Group for an aggregate amount of RMB45,984,000 (2022: RMB83,741,000) during the year ended 31 December 2023 and the fees were charged based on terms mutually agreed between the Group and the joint ventures during the year ended 31 December 2023.
- (j) On 19 August 2022, Beijing Daoxiang Water Resources Technology Co., Ltd. * (北京稻香水資源科技有限公司) (“Daoxiang”), a wholly-owned subsidiary of the Group, as borrower, entered into loan agreement with ABC, as lender, pursuant to which ABC agreed to grant the loan facility in a principal amount of RMB503,685,000 to Daoxiang for a term of thirty years from the date of drawdown based on a floating interest rate equal to the relevant loan prime rate for a period longer than five years announced by the National Interbank Funding Centre on the date immediately preceding the drawdown date minus 0.85%.

The loan facility would be secured by the pledge of expected earnings right from Beijing Haidian Daoxiang Lake reclaimed water plant phase II project.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

* *For identification only*

NOTES TO FINANCIAL STATEMENTS

31 December 2023

50. RELATED PARTY TRANSACTIONS *(Continued)*

- (k) On 26 August 2022, Jinan Beikong Water Development Co., Ltd.* (濟南北控水務發展有限公司) (“Jinan Beikong”), a wholly-owned subsidiary of the Group, as lessee, entered into finance lease agreement with BG Finance, as lessor, pursuant to which Jinan Beikong has agreed to transfer and change the registration of the ownership of the pre-treatment equipment including the procurement and installation of ultrafiltration and reverse osmosis membrane process (“Jinan Beikong Leased Assets”) under the name of BG Finance from Jinan Beikong for a transfer consideration of RMB23,000,000, and BG Finance has then agreed to lease the Jinan Beikong Leased Assets to Jinan Beikong with the lease principal of RMB23,000,000 and the lease interest of approximately RMB5,609,000. Pursuant to the finance lease agreement, BG Finance has agreed to lease back the Jinan Beikong Leased Assets to Jinan Beikong for a term of 10 years. The rent is calculated and payable in RMB, which shall be payable in 20 consecutive instalments semi-annually.

BEWG (China) Investment, as the guarantor, has agreed to provide guarantee for debts arising under the financial lease agreement in favour of BG Finance.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

- (l) On 26 August 2022, Pucheng Gerui Water Purification Co., Ltd.* (蒲城格瑞水質淨化有限公司) (“Pucheng Gerui”), a wholly-owned subsidiary of the Group, as lessee, entered into finance lease agreement with BG Finance, as lessor, pursuant to which Pucheng Gerui has agreed to transfer and change the registration of the ownership of the Pucheng sewage treatment plant (“Pucheng Gerui Leased Assets”) under the name of BG Finance from Pucheng Gerui for a transfer consideration of RMB49,000,000, and BG Finance has then agreed to lease to Pucheng Gerui with the lease principal of RMB49,000,000 and the lease interest of approximately RMB11,951,000. Pursuant to the finance lease agreement, BG Finance has agreed to lease back the Pucheng Gerui Leased Assets to Pucheng Gerui for a term of 10 years. The rent is calculated and payable in RMB, which shall be payable in 20 consecutive instalments semi-annually.

BEWG (China) Investment, as the guarantor, has agreed to provide guarantee for debts arising under the finance lease agreement in favour of BG Finance.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

* For identification only

NOTES TO FINANCIAL STATEMENTS

31 December 2023

50. RELATED PARTY TRANSACTIONS *(Continued)*

- (m) On 26 August 2022, Foshan Beikong Water Quality Treatment Co., Ltd.* (佛山北控水質處理有限公司) (“Foshan Beikong”), a non-wholly-owned subsidiary of the Group, as borrower, entered into loan agreement with BG Finance, as lender, pursuant to which BG Finance has agreed to grant loan facility in a principal amount of RMB240,000,000 to Foshan Beikong for a term of eleven years from the date of drawdown based on a floating interest rate equal to the relevant loan prime rate for a period longer than five years announced by the National Interbank Funding Centre on the date immediately preceding the drawdown rate minus 0.5%.

The loan facility shall be secured by the pledge of expected earnings right given by Foshan Beikong under pledge agreement in favour of BG Finance and the guarantee given by BEWG (China) Investment in proportion to 80% shareholding in Foshan Beikong in favour of BG Finance.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

- (n) On 22 March 2023, Anshan City Beishui Anda Water Development Co., Ltd.* (鞍山市北水鞍達水務發展有限公司) (“Beishui Anda”), a wholly-owned subsidiary of the Group, as borrower, entered into loan agreement with ABC, Anshan Tiedong sub-branch, as lender, pursuant to which ABC, Anshan Tiedong sub-branch agreed to grant the loan facility in a principal amount of RMB363,880,000 to Beishui Anda for a term of twenty years from the date of drawdown based on a floating interest rate equal to the relevant loan prime rate for a period longer than five years announced by the National Interbank Funding Centre on the date immediately preceding the drawdown date minus 0.9%.

The loan facility shall be secured by the pledge of earnings right under concession agreement of Anshan City urban sewage treatment phase I project given by Beishui Anda under pledge agreement in favour of ABC, Anshan Tiedong sub-branch.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

* *For identification only*

NOTES TO FINANCIAL STATEMENTS

31 December 2023

50. RELATED PARTY TRANSACTIONS *(Continued)*

- (o) On 17 May 2023, Juye Beikong Chengbei Beishui Water Co., Ltd. * (巨野北控城北水務有限公司) (“Juye Beikong”), a non-wholly owned subsidiary of the Group, as borrower, entered into loan agreement with ABC, Juye sub-branch, as lender, pursuant to which ABC, Juye sub-branch agreed to grant the loan facility in a principal amount of RMB258,000,000 to Juye Beikong for a term of fifteen years from the date of drawdown based on a floating interest rate equal to the relevant loan prime rate for a period longer than five years announced by the National Interbank Funding Centre on the date immediately preceding the drawdown date minus 0.75%.

The loan facility shall be secured by the pledge of accounts receivable from Juye Province sewage treatment construction project (Chengbei) Public Private Partnership project given by Juye Beikong under pledge agreement in favour of ABC, Juye sub-branch.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

- (p) On 18 May 2023, Beikong (Hangzhou) Environmental Engineering Co. Ltd.* (北控(杭州)環境工程有限公司) (“Beikong Hangzhou”), a non-wholly owned subsidiary of the Group, as borrower, entered into loan agreement with BG Finance, as lender, pursuant to which BG Finance agreed to grant the loan facility in a principal amount of RMB140,000,000 to Beikong Hangzhou for a term of fifteen years from the date of drawdown based on a floating interest rate equal to the relevant loan prime rate for a period longer than five years announced by the National Interbank Funding Centre on the date immediately preceding the drawdown date minus 0.8%.

The loan facility shall be secured by the pledge of the earning right for equipment installation project for the construction of the second stage of the fourth phase of Yuhang project, given by Beikong Hangzhou under pledge agreement in favour of BG Finance.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

* For identification only

NOTES TO FINANCIAL STATEMENTS

31 December 2023

50. RELATED PARTY TRANSACTIONS *(Continued)*

- (q) On 23 August 2023, Qingdao West Coast Water Co., Ltd. * (青島西海岸北控水務有限公司) (“Qingdao West Coast”), a non-wholly owned subsidiary of the Group, as borrower, entered into loan agreement with Qingdao Huangdao sub-branch of Agricultural Bank of China Limited* (中國農業銀行股份有限公司青島黃島支行), Beijing Nanlishi Road sub-branch of Industrial and Commercial Bank of China Limited* (中國工商銀行股份有限公司北京南禮士路支行) and Qingdao branch of China Minsheng Banking Corp., Ltd.* (中國民生銀行股份有限公司青島分行), as lenders, pursuant to which all lenders agreed to grant the syndicated loan facility in an aggregate principal amount of not more than RMB1,253,000,000, of which ABC, Qingdao Huangdao sub-branch agreed to grant RMB550,000,000, to Qingdao West Coast for a term of twenty years from the date of drawdown based on a floating interest rate equal to the relevant loan prime rate for a period longer than five years announced by the National Interbank Funding Centre on the date immediately preceding the drawdown date minus 1.10%.

The syndicated loan facility shall be secured by the pledge of earning rights for sewage treatment under the concession agreement for the building, operation and transfer of the Fenghe Wetland Park Project in favour of lenders.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

- (r) On 23 August 2023, Zaozhuang Beikong Zhixin Water Co., Ltd. * (棗莊北控智信水務有限公司) (“Zaozhuang Zhixin”), a non-wholly owned subsidiary of the Group, as borrower, entered into loan agreement with Zaozhuang Xincheng sub-branch of Agricultural Bank of China Limited* (中國農業銀行股份有限公司棗莊新城支行), as lender, pursuant to which ABC, Zaozhuang Xincheng sub-branch agreed to grant the loan facility in a principal amount of RMB134,000,000, to Zaozhuang Zhixin for a term of twelve years from the date of drawdown based on a fixed interest rate equal to the relevant loan prime rate for a period longer than five years announced by the National Interbank Funding Centre on the date immediately preceding the date of the loan agreement minus 0.65%.

The loan facility shall be secured by the pledge of earning rights for supplying water of Zaozhuang Zhixin in favour of ABC, Zaozhuang Xincheng sub-branch.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

Save as disclosed above and the transactions and balances detailed elsewhere in the financial statements, the Group had no material transactions and outstanding balances with related parties during the years ended 31 December 2023 and 2022.

* *For identification only*

NOTES TO FINANCIAL STATEMENTS

31 December 2023

51. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts of financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values largely due to the short term maturities of these instruments, and accordingly, no disclosure of the fair values of these financial instruments is made.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
At 31 December 2023				
Investment properties	–	–	462,193	462,193
Equity investments designated at fair value through other comprehensive income	99,573	56,051	584,969	740,593
Financial assets of fair value through profit or loss	–	–	10,105	10,105
Total	99,573	56,051	1,057,267	1,212,891
At 31 December 2022				
Investment properties (restated)	–	–	617,453	617,453
Equity investments designated at fair value through other comprehensive income (restated)	147,168	54,805	590,796	792,769
Total (restated)	147,168	54,805	1,208,249	1,410,222

During the year ended 31 December 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 fair value measurement.

During the year ended 31 December 2022, the fair value measurement of a listed equity investment designated at fair value through other comprehensive income amounting to RMB360,306,000 was transferred from Level 1 to Level 3. Except for the aforementioned transfer, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial assets.

For other non-current financial assets and liabilities, in the opinion of the directors of the Company, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial instruments is made.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, corporate bonds, cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables, other payables and amounts due from/to related parties which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the value and the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term debt obligations.

Banks and other borrowings, corporate bonds, notes payable, cash and bank balances are stated at amortised cost and are not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

At 31 December 2023, it was estimated that a general decrease/increase of 100 basis points in the interest rate of average balances of bank and other borrowings, lease liabilities, and cash and bank balances during the year, with all other variables held constant, would increase/decrease the Group's profit before tax for the year ended 31 December 2023 by approximately RMB470,087,000 (2022: RMB410,686,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the respective reporting periods and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at these dates. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's business are mainly carried out by subsidiaries located in Chinese Mainland and the majority of its transactions are conducted in RMB. Owing to the fact that the presentation currency of these financial statements is the RMB but the functional currency of the Company and the Hong Kong subsidiaries is Hong Kong dollar, the Group's statement of financial position can be affected significantly by movements in the HK\$/RMB exchange rate.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK\$/RMB exchange rate, with all other variables held constant, of the Group's profit before tax (arising from HK\$ denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in profit before tax <i>RMB'000</i>	Increase/ (decrease) in equity <i>RMB'000</i>
31 December 2023		
If RMB weakens against Hong Kong dollar by 5%	(69,310)	(384,132)
If RMB strengthens against Hong Kong dollar by 5%	69,310	384,132
31 December 2022		
If RMB weakens against Hong Kong dollar by 5%	(53,533)	(254,150)
If RMB strengthens against Hong Kong dollar by 5%	53,533	254,150

The Group has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

Credit risk

The main credit risk exposure to the Group arises from default or delinquency in principal payments of trade receivables, receivables under service concession arrangements and amounts due from contract customers. In respect of these receivables, the Group trades mainly with municipal governments in different provinces which do not have significant credit risk. In addition, these receivables are monitored on an ongoing basis. Therefore, in the opinion of the directors, the credit risk is not significant.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging

Management groups financial instruments on the basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increase in credit risk and calculation of impairment. The gross carrying amount of each financial asset in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2023 and 2022.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

To manage credit risk arising from debtors and contract assets, the credit quality of the debtors is assessed, taking into account their financial position, historical settlement records, past experience and other factors. The Group applies the general approach to provide for ECLs prescribes by HKFRS 9. The determination of the ECLs also incorporates forward-looking information.

The Group has established a policy to perform an assessment as at 31 December 2023 and 2022, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

- | | |
|---------|---|
| Stage 1 | When the financial assets are first recognised, the Group recognises an allowance based on 12 months' ECL. |
| Stage 2 | When the financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs. |
| Stage 3 | The financial assets are considered credit-impaired. The Group records an allowance for the lifetime ECLs. |

NOTES TO FINANCIAL STATEMENTS

31 December 2023

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

Management also makes periodic collective assessments for the financial assets as well as individual assessment on the recoverability of the financial assets based on historical settlement records, past experience and other factors. The Group classifies the financial assets into different stages by risk and continuously monitors their credit risk. Management believes that there is no material credit risk inherent in the Group's outstanding balances as at 31 December 2023 and 2022.

As at 31 December 2023 and 2022, all restricted cash and pledged deposits and cash and cash equivalents were deposited with creditworthy financial institutions without significant credit risk.

Save as disclosed in note 47 to the financial statements, the Group does not provide any guarantees which would expose the Group or the Company to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from the financial assets are set out in notes 18, 25, 26 and 27 to the financial statements.

Liquidity risk

In light of the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements and the capital commitments of the Group of approximately RMB18.1 billion (2022: RMB19.1 billion) in aggregate (comprising the Group's capital commitments and the Group's share of the joint ventures' own capital commitments) as at 31 December 2023 as detailed in note 49 to the financial statements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, corporate bonds and notes payable, as well as the strict control over its receivables due in day to day business. In the opinion of the directors of the Company, new bank borrowings will be obtained to finance certain of the new construction projects and service concession arrangements, and certain of the above-mentioned capital commitments are expected to be fulfilled by the Group after 2023. Accordingly, the Group expects to have adequate sources of funding to finance the Group and manage its liquidity position. Further details of which are set out in note 2 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within one year or on demand <i>RMB'000</i>	In the second year <i>RMB'000</i>	In the third to fifth years, inclusive <i>RMB'000</i>	Beyond 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2023					
Bank and other borrowings	12,939,420	10,947,736	26,535,257	16,620,669	67,043,082
Corporate bonds	2,442,235	2,364,571	8,593,144	2,037,069	15,437,019
Lease liabilities	67,648	130,126	3,551	48,301	249,626
Trade payables	20,716,853	–	–	–	20,716,853
Other liabilities	4,860,005	405,390	–	–	5,265,395
Due to related parties	206,592	–	–	–	206,592
	41,232,753	13,847,823	35,131,952	18,706,039	108,918,567
31 December 2022					
Bank and other borrowings	9,480,785	7,952,921	30,292,648	13,611,059	61,337,413
Corporate bonds	6,921,530	2,304,929	6,129,915	2,115,403	17,471,777
Lease liabilities	84,977	82,771	51,830	66,727	286,305
Trade payables	19,921,518	–	–	–	19,921,518
Other liabilities	6,097,265	446,523	–	–	6,543,788
Due to related parties	198,727	–	–	–	198,727
	42,704,802	10,787,144	36,474,393	15,793,189	105,759,528

NOTES TO FINANCIAL STATEMENTS

31 December 2023

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may issue new shares to increase capital or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

The Group monitors capital using the gearing ratio, which is calculated based on net debt and total equity. Net debt is calculated as total bank and other borrowings and corporate bonds less cash and cash equivalents. Total equity includes equity attributable to shareholders of the Company, perpetual capital instruments and non-controlling interests. No changes were made in the calculation of gearing ratio during the years ended 31 December 2023 and 2022. The gearing ratios at 31 December 2023 and 2022 were as follows:

	2023 RMB'000	2022 RMB'000 (restated)
Net debt	64,029,500	60,659,701
Total equity	54,133,475	52,207,300
Gearing ratio	118%	116%

NOTES TO FINANCIAL STATEMENTS

31 December 2023

53. FINANCIAL INSTRUMENTS BY CATEGORY

Other than the equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss as disclosed in notes 23 and 22 to the financial statements, respectively, all financial assets and liabilities of the Group as at 31 December 2023 and 2022 were financial assets at amortised cost, and financial liabilities at amortised cost, respectively.

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000 (restated)	As at 1 January 2022 RMB'000 (restated)
ASSETS			
Non-current assets:			
Property, plant and equipment	159	68	216
Investments in subsidiaries	19,451,035	18,126,545	15,247,586
Investments in joint ventures	1,153,251	1,135,337	1,050,740
Investments in associates	7,888	7,713	398,042
Prepayments, deposits and other receivables	95,198	93,082	86,736
Equity investments designated at fair value through other comprehensive income	508,101	545,868	724,156
Total non-current assets	21,215,632	19,908,613	17,507,476
Current assets:			
Trade receivables	2,392	2,392	2,392
Prepayments, deposits and other receivables	25,205,809	25,731,798	22,287,103
Cash and cash equivalents	243,630	352,329	227,055
Total current assets	25,451,831	26,086,519	22,516,550
TOTAL ASSETS	46,667,463	45,995,132	40,024,026

NOTES TO FINANCIAL STATEMENTS

31 December 2023

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	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:			
Issued capital	834,250	834,250	842,375
Perpetual capital instrument <i>(note)</i>	2,991,002	997,361	997,361
Reserves <i>(note)</i>	7,732,834	8,092,249	7,852,839
TOTAL EQUITY	11,558,086	9,923,860	9,692,575
Non-current liabilities:			
Bank and other borrowings	4,916,422	3,192,317	405,802
Corporate bonds	7,975,848	7,477,779	8,465,537
Other payables and accruals	18,614,547	19,849,676	15,815,792
Deferred tax liabilities	–	–	2,971
Total non-current liabilities	31,506,817	30,519,772	24,690,102
Current liabilities:			
Other payables and accruals	1,603,608	1,205,169	858,017
Bank and other borrowings	–	1,348,600	4,783,332
Corporate bonds	1,998,952	2,997,731	–
Total current liabilities	3,602,560	5,551,500	5,641,349
TOTAL LIABILITIES	35,109,377	36,071,272	30,331,451
TOTAL EQUITY AND LIABILITIES	46,667,463	45,995,132	40,024,026

NOTES TO FINANCIAL STATEMENTS

31 December 2023

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Shares held under share award scheme RMB'000	Contributed surplus RMB'000 <i>(a)</i>	Fair value reserve RMB'000	Share option and share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Perpetual capital instruments RMB'000	Total RMB'000
At 1 January 2022 (restated)	2,464,107	(100,735)	3,081,904	(165,087)	95,214	21,765	2,455,671	997,361	8,850,200
Profit for the year	-	-	-	-	-	-	1,279,377	39,068	1,318,445
Other comprehensive income/(loss) for the year:									
Exchange differences related to the Company	-	-	-	-	-	681,218	-	-	681,218
Changes in fair value of equity investments at fair value through other comprehensive income	-	-	-	(386,545)	-	-	-	-	(386,545)
Share repurchased and cancelled	(140,714)	-	-	-	-	-	-	-	(140,714)
Shares purchased for share award scheme	-	(36,930)	-	-	-	-	-	-	(36,930)
Exercise of share awards	-	434	-	-	(364)	-	(70)	-	-
Equity-settled shares award arrangements	-	-	-	-	36,517	-	-	-	36,517
Distribution declared to holders of a perpetual capital instrument	-	-	-	-	-	-	-	(39,068)	(39,068)
Final 2021 cash dividends paid	-	-	-	-	-	-	(584,026)	-	(584,026)
Interim 2022 cash dividends paid	-	-	-	-	-	-	(609,487)	-	(609,487)
At 31 December 2022 and 1 January 2023 (restated)	2,323,393	(137,231)	3,081,904	(551,632)	131,367	702,983	2,541,465	997,361	9,089,610
Profit for the year	-	-	-	-	-	-	893,729	70,284	964,013
Other comprehensive income/(loss) for the year:									
Exchange differences related to the Company	-	-	-	-	-	193,937	-	-	193,937
Changes in fair value of equity investments at fair value through other comprehensive income	-	-	-	(50,173)	-	-	-	-	(50,173)
Issuance of perpetual capital instruments	-	-	-	-	-	-	-	1,993,641	1,993,641
Exercise of share awards	-	91,998	-	-	(55,465)	-	(36,533)	-	-
Laspe of share options	-	-	-	-	(95,241)	-	95,241	-	-
Equity-settled shares award arrangements	-	-	-	-	22,678	-	-	-	22,678
Distribution declared to holders of perpetual capital instruments	-	-	-	-	-	-	-	(70,284)	(70,284)
Final 2022 cash dividends paid	-	-	-	-	-	-	(786,650)	-	(786,650)
Interim 2023 cash dividends paid	-	-	-	-	-	-	(632,936)	-	(632,936)
At 31 December 2023	2,323,393	(45,233)	3,081,904	(601,805)	3,339	896,920	2,074,316	2,991,002	10,723,836

- (a) Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus account of the Company subject to the Company's Bye-laws, provided that the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

55. COMPARATIVE AMOUNTS

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

56. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2024.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

RESULTS

	Year ended 31 December				
	2019 <i>RMB'000</i> (restated)	2020 <i>RMB'000</i> (restated)	2021 <i>RMB'000</i> (restated)	2022 <i>RMB'000</i> (restated)	2023 <i>RMB'000</i>
Revenue	24,809,368	22,570,922	23,140,522	21,484,840	24,519,374
Operating profit	5,825,346	4,831,576	4,990,262	2,600,002	3,383,407
Share of profits and losses of:					
Joint ventures	485,227	649,416	715,221	560,747	561,184
Associates	338,788	294,395	48,197	104,708	83,848
Profit before tax	6,649,361	5,775,387	5,753,680	3,265,457	4,028,439
Income tax expense	(1,507,883)	(1,111,306)	(1,215,306)	(930,286)	(964,112)
Profit for the year	5,141,478	4,664,081	4,538,374	2,335,171	3,064,327
ATTRIBUTABLE TO:					
Shareholders of the Company	4,334,632	3,723,285	3,482,630	1,181,430	1,895,681
Holders of perpetual capital instruments	206,650	206,640	175,523	92,650	92,656
Non-controlling interests	600,196	734,156	880,221	1,061,091	1,075,990
	5,141,478	4,664,081	4,538,374	2,335,171	3,064,327

FIVE-YEAR FINANCIAL SUMMARY

ASSETS, LIABILITIES AND TOTAL EQUITY

	Year ended 31 December				
	2019 <i>RMB'000</i> (restated)	2020 <i>RMB'000</i> (restated)	2021 <i>RMB'000</i> (restated)	2022 <i>RMB'000</i> (restated)	2023 <i>RMB'000</i>
Total assets	134,533,225	146,496,941	150,575,985	161,751,644	165,493,193
Total liabilities	(93,120,478)	(98,512,777)	(98,463,864)	(109,544,344)	(111,359,718)
NET ASSETS	41,412,747	47,984,164	52,112,121	52,207,300	54,133,475
Equity attributable to shareholders of the Company	27,188,121	31,368,802	32,829,063	29,846,423	31,382,407
Perpetual capital instruments	5,563,389	5,563,389	2,485,377	2,485,377	2,485,377
Other non-controlling interests	8,661,237	11,051,973	16,797,681	19,875,500	20,265,691
TOTAL EQUITY	41,412,747	47,984,164	52,112,121	52,207,300	54,133,475



北控水務集團有限公司

BEIJING ENTERPRISES WATER GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 371)