



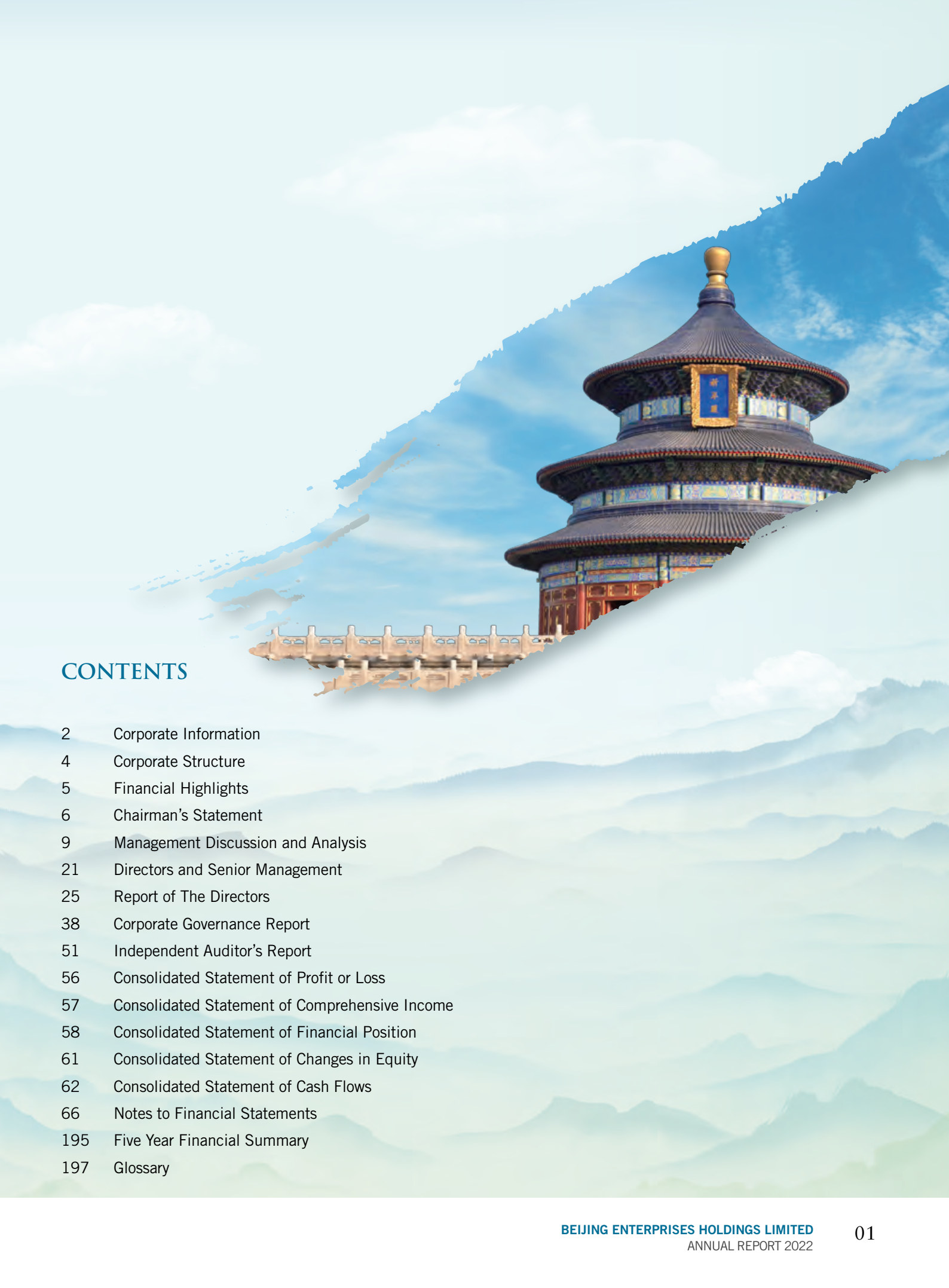
北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

BEIJING ENTERPRISES HOLDINGS LIMITED

Stock Code : 392



ANNUAL REPORT
2022



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. DAI Xiaofeng (*Chairman*)
Mr. JIANG Xinhao (*Vice Chairman*)
Mr. XIONG Bin (*Chief Executive Officer*)
Mr. TAM Chun Fai (*Company Secretary*)

Independent Non-Executive Directors

Mr. WU Jiesi
Mr. LAM Hoi Ham
Dr. YU Sun Say
Ms. CHAN Man Ki Maggie

AUDIT COMMITTEE

Mr. WU Jiesi
Mr. LAM Hoi Ham (*Committee Chairman*)
Dr. YU Sun Say

REMUNERATION COMMITTEE

Mr. DAI Xiaofeng
Mr. WU Jiesi (*Committee Chairman*)
Mr. LAM Hoi Ham

NOMINATION COMMITTEE

Mr. DAI Xiaofeng (*Committee Chairman*)
Dr. YU Sun Say
Ms. CHAN Man Ki Maggie

INVESTMENT COMMITTEE

Mr. DAI Xiaofeng (*Committee Chairman*)
Mr. JIANG Xinhao
Mr. LAM Hoi Ham
Ms. CHAN Man Ki Maggie

COMPANY SECRETARY

Mr. TAM Chun Fai *CPA CFA*

STOCK CODE

392

WEBSITE

www.behl.com.hk

SHARE REGISTRAR

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

REGISTERED OFFICE

66/F., Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong.
Tel: (852) 2915 2898
Fax: (852) 2857 5084

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

CORPORATE INFORMATION

LEGAL ADVISERS

Hong Kong Law

Mayer Brown

PRC Law

Haiwen & Partners

PRINCIPAL BANKERS

In Hong Kong

Bank of China, Hong Kong Branch

Bank of Communications, Hong Kong Branch

DBS Bank Ltd., Hong Kong Branch

In Mainland China

Agricultural Bank of China

Bank of China

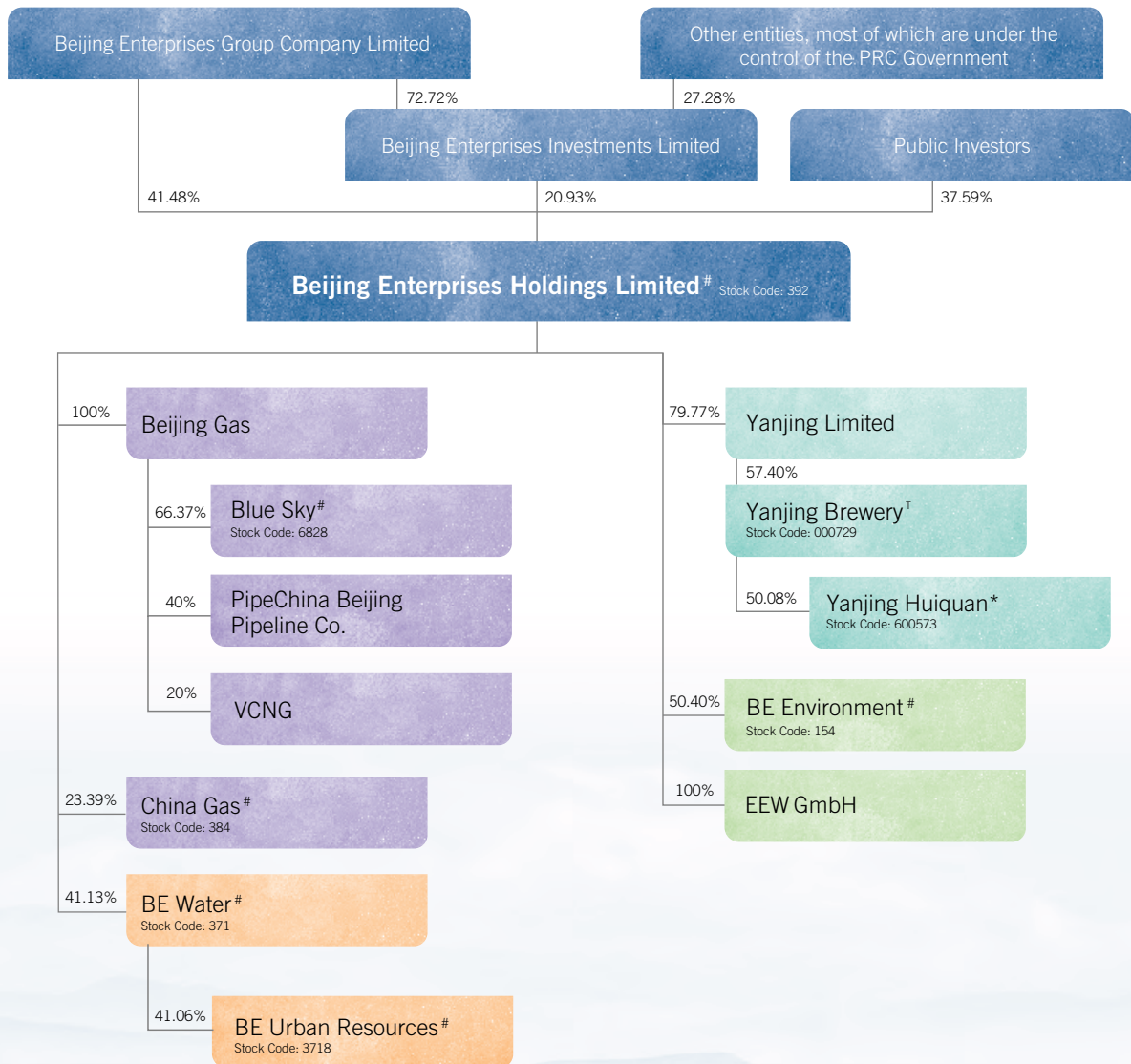
China Construction Bank

The Industrial and Commercial Bank of China

Bank of Beijing

CORPORATE STRUCTURE

As at 31 December 2022



* Listed on The Shanghai Stock Exchange
 T Listed on The Shenzhen Stock Exchange
 # Listed on The Main Board of The Hong Kong Stock Exchange

FINANCIAL HIGHLIGHTS

Financial Highlights for the year ended 31 December	2022 HK\$'000	2021 HK\$'000	Change
Turnover	92,296,553	80,521,838	14.6%
Gross profit	12,288,678	12,330,700	-0.3%
Profit for the year	8,264,021	10,518,631	-21.4%
Profit attributable to shareholders of the Company	7,572,651	9,918,640	-23.7%
Basic EPS (in HK dollars)	6.00	7.86	-23.6%
Total dividend per share (in HK dollars)	1.60	1.25	28.0%
EBIT	11,429,176	13,428,084	-14.9%
EBITDA	16,129,882	18,688,723	-13.7%
Total assets	221,071,367	222,822,051	-0.8%
Cash and cash equivalents	31,347,261	33,238,799	-5.7%
Shareholders' equity	89,919,965	95,977,710	-6.3%

Key financial indicators for the year ended 31 December	2022	2021
Average finance costs	2.8%	2.6%
Current ratio (times)	0.89	0.88
Gross profit margin	13.3%	15.3%
Net gearing ratio	44.7%	35.5%
Net profit margin	9.0%	13.1%
Payout ratio (%)	26.6%	15.9%
Return on average equity	8.1%	11.0%

Definitions:

- **Average finance costs**
Total interest expenses/Average borrowing for the year
- **Current ratio**
Current assets/Current liabilities
- **Gross profit margin**
Gross profit/Turnover
- **Net gearing ratio**
Net borrowing/Total equity
- **Net profit margin**
Net profit for the year/Turnover
- **Payout ratio**
Dividend per share/Earnings per share
- **Return on average equity**
Profit attributable to shareholders of the Company/Average equity attributable to equity holders of the Company

CHAIRMAN'S STATEMENT

Dear shareholders:

The year 2022 marked the 25th anniversary of the listing of Beijing Enterprises Holdings Limited (the “Company” or “BEHL”) in Hong Kong, which was also a critical stage in the implementation of the 14th Five-Year Plan for quality development. In adhering to reform and innovation, the Company builds up momentum for industrial development, focuses on improving quality and efficiency, rebuilds capital operation capacity, and carries out various key tasks in an orderly manner, steadily improving its operating results and development quality.

Responding to shareholders' long-term support and steadily increasing dividend payout ratio.

The Company recorded a revenue of HK\$92.3 billion during the year, representing a year-on-year increase of 14.6% with its gross profit remaining the same year-on-year. Profit attributable to shareholders after deducting the impact of one-off items amounted to HK\$8.2 billion. The Company has always placed enhancing shareholders' returns as an important consideration in its strategic development. The Board proposed the distribution of a final dividend of HK110 cents per share to its shareholders with a total annual dividend yield per share of HK\$1.6, representing a payout ratio of 26.7%, up by 28% year-on-year. During the period, the dividend distribution mechanism of its subsidiaries and associates to BEHL was constantly optimized. In the future, the Company will strive to promote further improvement of the dividend payout ratio to reward the long-term support of shareholders.

Growing steadily in gas operation and accelerating the transformation and upgrade of energy services.

Beijing Gas Group Company Limited (“Beijing Gas”) is committed to the development strategy of seeking stable progress and actively coordinating the operation and development and safety production, and resulted in the steady development of various major operating indicators. Beijing Gas took practical actions to demonstrate how the role of a state-owned enterprise should perform and successfully completed a series of important events in service protection offerings. It pushed forward the construction of key projects and the development of key tasks in an orderly manner; completed the first phase of the Tianjin Nangang LNG emergency reserve project, and is expected to further enhance the capital's natural gas security capacity. It profoundly implemented the dual-carbon strategy, and vigorously facilitated integrated energy services while focusing on new energy projects. It further optimized the business model for value-added businesses and achieved strong growth in the LNG business, with significant year-on-year growth in sales revenue.

China Gas Holdings Limited (“China Gas”, stock code: 384) focused on “Winning the Battle in Dollar Margin Management”. Through the coordination of pipeline gas resources and optimizing procurement costs and other key initiatives, it improved its management-driven efficiency. It adopted a light asset approach to expand its LPG terminal projects and adjusted its microgrid market development model and promotion strategy in a timely manner, and launched a loop-typed development plan. It piloted and implemented the new retail operation model of Yipin Smart Living and achieved a new breakthrough in value-added business.

CHAIRMAN'S STATEMENT

Deepening reform and innovation in the water business to improve operational capacity.

Beijing Enterprises Water Group Limited (“BE Water”, stock code: 371) remained in its top position of the “Top Ten Influential Enterprises in the Water Sector in China” for 13 consecutive years. During the period, BE Water abided by its strategic determination to focus on customers and innovation. It continued to acquire and manage bulk assets, deepened regional reform, and completed the establishment of a number of regional companies and similar regional organizations. It established its asset management capabilities and intelligent operation management capabilities and improved its asset management quality and efficiency. It insisted on being innovation-driven and gave full play to the role of expert leadership to enhance innovation capabilities. It strengthened the upstream and downstream layout of the industry chain and helped cultivate new business growth points.

Developing environmental business under a new growth direction, showing risk resistance in offshore assets.

The domestic solid waste treatment business segment includes Beijing Enterprises Environment Group Limited (“BE Environment”, stock code: 154) and Beijing Enterprises Holdings Environment Technology Co., Ltd (“BEHET”). While continuing to solidify its fundamental management standard, it increases synergistic and innovative momentum to expand business revenue through multiple channels, building a market development channel regime. The overseas company, EEW Energy from Waste GmbH (EEW GmbH), has demonstrated strong risk resilience and maintained stable performance indicators in facing increasing uncertainties in the external economic environment.

Effective transformation and outstanding performance of the beer business.

Beijing Yanjing Brewery Co., Ltd. (“Yanjing Brewery”, stock code: 000729) was at the industry forefront with yearly sales volume growth far surpassing the industry average and continuing to improve despite facing an economic downturn and shrinkage in demand. Its Yanjing U8 bulk single product strategy was intensively propelled in all directions, providing strong support for its performance improvement. It continued to optimize the organizational structure and steadily facilitated the construction of a superior management system to activate enterprise vibrancy. It continued to launch its full marketing chain and rebranded and upgraded its brand image to further enhance the market position of Yanjing Brewery.

Improving ESG system construction for sustainable development.

At present, sustainable development has become the consensus of all sectors of society. As an integrated public utility company, BEHL evaluates the current status of the Company in terms of environment, social responsibility, and corporate governance and various aspects, and integrates ESG elements into the daily management process of the Company. During the period, the Company strengthened its systems in the areas of anti-corruption, letters whistleblowing, response to climate change, and health and safety. With regard to the Board diversity, BEHL takes into account diversification factors, including gender, age, cultural background, and industry experience to name a few in determining its directors, and the diversity of the board of directors has been significantly enhanced, and the independence and effectiveness of the operation of the board of directors have been further safeguarded.

CHAIRMAN'S STATEMENT

OUTLOOK

In 2023, with the global economic downturn and geopolitical risks still subsisting, BEHL will face up difficulties and challenges to achieve breakthroughs, with an aim to fully unleash our intrinsic development potential accumulated over the years. In the gas business, we will consolidate and strengthen our principal business advantages. While continuing to play a positive role as a “ballast” during the process of energy transformation, we will actively promote the coordinated development of natural gas and various energy sources, and also the construction, preparation for commissioning, and the production and operation work of the Nangang project after its commissioning. In the water business, we will strengthen our core business development and enhance the efficiency contribution of its light assets to ensure its operating fundamentals return to a stable growth path. In the environmental business, we will comprehensively improve project energy utilization and efficiency output, and actively expand the diversified business to fully unleash the asset value of the environmental segment. In the beer business, we will continue to expand the core strategic achievements of U8, accelerate the high-quality production process, cultivate Yanjing's proprietary culture, and strive to catch up with its leading beer benchmark.

Now is the time to work diligently and sail again. The year 2023 marks an important stage for BEHL to inherit the past and usher in the future along with the government's “14th Five-Year Plan”. Adhering to the main business lines of energy services and green environmental protection, the Company will evaluate the situation, maintain an objective analysis of the actual development of the enterprise, form a scientific prognosis of the current situation and future trends, prepare for specific problems and difficulties, and make the most accurate choice of management measures. With these efforts, we aim to create a strong industrial driving force for the Company's high-quality development.

Dai Xiaofeng
Chairman

Hong Kong
31 March 2023

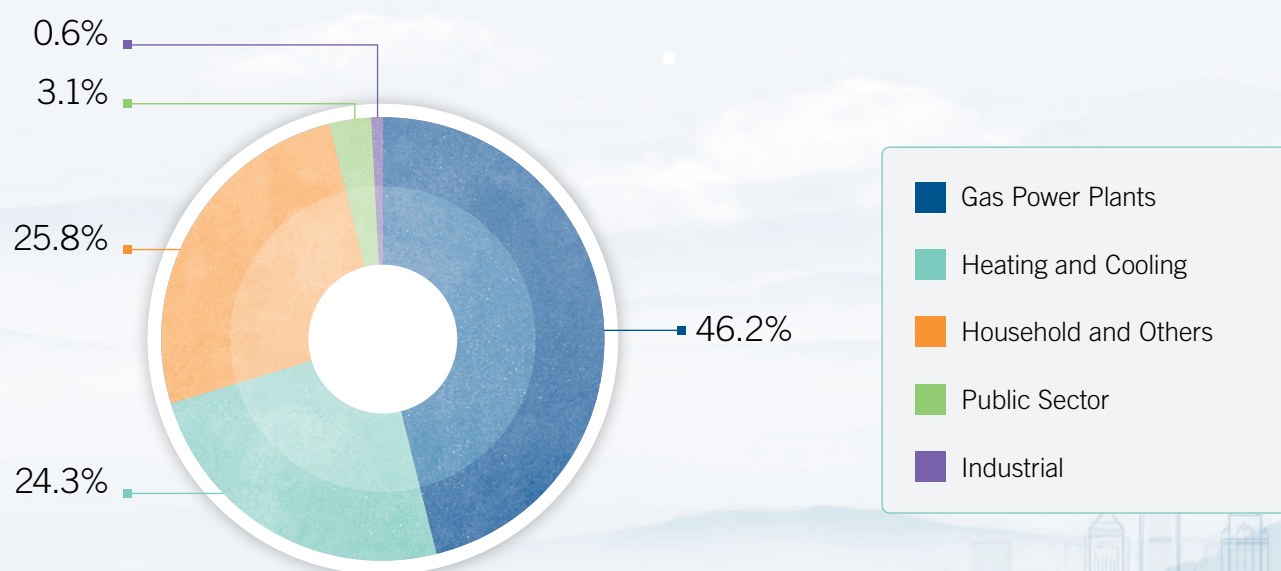
MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

The year of 2022 (the “Reporting Period”) witnessed the intensifying risks of international geopolitics, increased downward pressure of global economy, interest rate hikes by Federal Reserve triggered by high inflation, depreciation of non-US currencies, continued disruption and turmoil in financial markets, and tight supply chains and high prices for food and energy resulted from the Russo-Ukrainian conflict. China insisted on efficiently coordinating economic and social development through measures in stabilizing growth, ensuring that the economy reverted to a stable and upward trend within a reasonable range. The year of 2022 marked the 25th anniversary of the Company’s listing in Hong Kong. It was also a critical stage for the Company to facilitate the “14th Five-Year Plan” for quality development. The Company insisted on making reforms and seeking innovation to reshape its capital operation capability and explored strategic transformation opportunities, bringing stable improvement in its operating results and development quality in 2022.

Natural Gas Distribution Business of Beijing Gas

Beijing Gas Group Company Limited (“Beijing Gas”) recorded a revenue of HK\$69.61 billion in 2022, representing a year-on-year increase of 19.8%. Profit before taxation from the principal businesses (including natural gas distribution business, natural gas transmission business and VCNG of Rosneft) was HK\$6.21 billion, representing a year-on-year increase of 10.8%. In 2022, Beijing Gas’ combined (excluding duplicate statistics in different categories) natural gas sales volume was 21.69 billion cubic metres, including 17.8 billion cubic metres of piped gas sales volume in Beijing, 2 billion cubic metres of city gas sales volume outside Beijing, 0.9 billion cubic metres of LNG distribution and 1.17 billion cubic metres of LNG international trade. Affected by the combining factors such as temperature drop and extension of heat supply period, the natural gas sales volume accomplished inside Beijing increased by 5% year-on-year to 17.8 billion cubic metres. An analysis of the same by subscriber sector is shown as follows:



MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW *(Continued)*

Natural Gas Distribution Business of Beijing Gas *(Continued)*

During the Reporting Period, Beijing Gas developed approximately 155,000 new household subscribers and 4,062 new public sector subscribers. New heating boiler subscribers with a total capacity of 2,036 t/h were developed. As of 31 December 2022, Beijing Gas had a total of approximately 7.29 million piped gas subscribers and approximately 31,600 kilometres of natural gas pipelines in operation. Beijing Gas' capital expenditure for the year amounted to approximately HK\$9.16 billion.

During the year, Beijing Gas gave top priority in serving the capital city and had successfully completed its service protection missions for a series of spectacular events. At the same time, it promoted the construction of key projects and the development of key tasks in an orderly manner, integrated and expanded the markets both inside and outside Beijing, and achieved a stable growth in its principal business. The completion of the first phase of the Tianjin Nangang LNG emergency reserve project is expected to further



enhance the capital's natural gas security capacity. The integrated energy added 1.64 million square meters of heating area coverage and total installed capacity of new energy reached 149 MW. The value-added business further optimised the operating model with its results showing sound performance. The LNG business attained a robust development, with 13 occasions of vessel international spot trade and 840,000 tonnes of gas during the year, generating a sales revenue of HK\$13.03 billion, representing a substantial increase year-on-year. In addition, Beijing Gas strived to propel the investigation and remediation of safety hazards, effectively preventing and solving major safety risks.

Natural Gas Transmission Business

PipeChina Group Beijing Pipeline Co., Ltd. ("PipeChina Beijing Pipeline Co.,") recorded a gas transmission volume of 59.21 billion cubic meters in 2022, representing a year-on-year increase of 9%. During the Reporting Period, Beijing Gas' share of net profit after taxation, through its 40% equity interests in PipeChina Beijing Pipeline Co.,, amounted to HK\$2.08 billion, representing a year-on-year increase of 27.6%. The total capital expenditure of PipeChina Beijing Pipeline Co., for the year was approximately HK\$710 million.

VCNG of Rosneft

During the Reporting Period, the PJSC Verkhnechonskneftegaz ("VCNG") project of Rosneft Oil Company achieved its petroleum sales of 6.351 million tons, representing a year-on-year decrease of 5.4%. Beijing Gas shared a net operating profit after taxation for the year of HK\$1.43 billion through its 20% equity interest in VCNG, representing a year-on-year increase of 38.2%.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW *(Continued)*

China Gas

China Gas Holdings Limited (“China Gas”, stock code: 384) achieved a profit attributable to the Group of HK\$1.56 billion in 2022, representing a year-on-year decrease of 28.2%. During the six months ended 30 September 2022, China Gas steadily expanded its customers base to actively respond to external environment challenges and attained stable increase in natural gas sales volume. As one of the largest LNG distribution enterprises in China, China Gas continued to broaden its domestic and international resources



channels, deepened its LNG import cooperation and expanded its end-user market. Thanks to the implementation of the new retail regime, the value-added business brand of China Gas, “Smart Living”, ignited its rapid growth and unlocked its independent value. In addition, China Gas actively responded to the national dual-carbon initiative by announcing its industry-leading “carbon neutrality” roadmap to the capital market, and endeavoured to create core competencies in the dual-carbon new energy sector. During the six months ended 30 September 2022, China Gas’ total natural gas sales volume increased by 7.4% to 16.68 billion cubic metres, and its LPG sales volume reached 1.804 million tons, contributed profit before tax of HK\$81.535 million for the period, representing a year-on-year increase of 226.2%. Approximately 1.53 million households were newly connected, and the cumulative number of households connected reached approximately 44.67 million as at 30 September 2022.

Water Business

Beijing Enterprises Water Group Limited (“BE Water”, stock code: 371) continued to acquire bulk assets and deepened regional reform during the year. It completed the establishment of 58 regional companies and similar regional organizations. It nurtured management capabilities in asset and intelligent operation. At the same time, it comprehensively enhanced innovative capabilities by insisting on innovation-driven development and leveraging the leading role of experts. In addition, BE Water actively expanded its presence in the upstream and downstream industry chain by leveraging its water services expertise, completed the strategic investments in several companies. BE Water’s revenue for the year decreased by 10% year-on-year to HK\$24.98 billion, and profit attributable to its shareholders amounted to HK\$1.37 billion. The net profit attributable to the Group was HK\$565 million.



MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW *(Continued)*

Water Business *(Continued)*

As at 31 December 2022, BE Water already participated in 1,447 water plants which are or will be in operation, including 1,196 sewage treatment plants, 180 water distribution plants, 70 reclaimed water treatment plants and 1 seawater desalination plants, with a total design capacity of 44.287 million tons/day. The net increase in design capacity for the Reporting Period was 2.84 million tons/day.

Environmental Business

At the end of 2022, the environmental business segment of the Group realised a waste incineration and power generation treatment capacity of 32,895 tons/day. The key performance indicators of EEW Energy from Waste GmbH (“EEW GmbH”) showed sound performance, accomplishing a waste treatment volume of 4.607 million tons and energy sales of 4.91 billion KWH, with revenue of HK \$5.9 billion for the year.



During the year, the domestic environmental business segment of the Group recorded a waste treatment volume of 6.09 million tons, representing a year-on-year increase of 5.9%. It completed an on grid power generation volume of 1.52 billion KWH. The solid waste projects in China includes Beijing Enterprises Environment Group Limited (“BE Environment”, stock code: 154) and Beijing Enterprises Holdings Environment Technology Co., Ltd (“BEHET”) etc., together achieved a total revenue of HK\$3.24 billion during the Reporting Period. Profit attributable to shareholders of the Group was HK\$200 million, an increase of 69.8% year-on-year. During the Reporting Period, by expanding business revenue through multiple channels and building a market development channel mechanism, it made every effort to enhance the development of its principal business. At the same time, it continued to consolidate its foundation management by strengthening strategic management and enhancing the regulated management standard. The annual capital expenditures for the Company’s environmental business segment (domestic and overseas) were HK\$3.05 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW *(Continued)*

Beer Business

During the Reporting Period, Beijing Yanjing Brewery Co., Ltd. (“Yanjing Brewery”) comprehensively implemented reforms in mechanism, organization, operation, marketing, production, research and development and culture, achieved overall growth in key economic indicators. Its promoted large single product strategy in all directions to provide a strong support for performance improvement. It steadily promoted the improvement of a premier management system to accelerate the formation



of new advantages in development. It continued to carry out full-chain marketing to upgrade its brand image and had highlighted the direction of market-oriented reform to continue unlocking organisational vitality.

During the Reporting Period, Yanjing Brewery achieved a beer sales volume of 3.77 million kilolitres, representing a year-on-year increase of 4.14%, of which, the sales volume of Yanjing U8 recorded 388,900 kiloliters, representing a year-on-year increase of 51%. The revenue that Beijing Yanjing Brewery Investments Co., Limited* (北京燕京啤酒投资有限公司) (“Yanjing Limited”) recorded was HK\$13.47 billion during the Reporting Period, representing a year-on-year increase of 4.9%, with its profit before taxation of HK\$694 million, representing a year-on-year increase of 19%. The capital expenditure of Yanjing Limited for the year was approximately HK\$535 million.

Major Capital Operations

In 2022, the Group successfully refinanced EUR800 million of EUR Bonds, USD800 million of US\$ Bonds and HK\$4 billion of bank loans, and drawdown revolving short-term financing loans. At the same time, we coordinated with EEW GmbH to arrange a green revolving financing facility of up to EUR200 million. During the year, the Group received an A credit rating from Fitch for the first time.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW *(Continued)*

Sustainable Development

The Group has constantly enhanced its environmental, social and governance (ESG) management capabilities in recent years. During the year, we strengthened our systems in anti-corruption, complaint reporting, climate change response and health and safety. Moreover, the Company enhanced the diversity of its Board of Directors, with aims to improve corporate governance and sustainable development by increasing the independence of and strengthening the functions of the Board of Directors.

Principal Risks-Exchange Rate Fluctuation

The Group primarily operates its businesses in the PRC, therefore, most of its revenues and expenses are transacted in RMB. The value of RMB against Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, the PRC's economic conditions and policies. The conversion of RMB into foreign currencies, including Hong Kong Dollar and U.S. Dollar, has been based on rates guided by the People's Bank of China. In 2022, the exchange rates of RMB against Hong Kong Dollar and U.S. Dollar presented an overall trend of wide-range fluctuations, and the Board did not expect the mild fluctuation of RMB's exchange rate in the future will have material adverse impact on the operations of the Group. As the Euro assets and Euro debts of the Group were basically matched, the Group was less affected by the fluctuation of Euro exchange rate.

Main Uncertainties

The Group's principal businesses include downstream natural gas distribution and middle stream natural gas transmission, water operation, environmental operation and beer businesses. Most of the utilities related businesses are governed by policies set out by National Development and Reform Commission and may be subject to changes from time to time. The energy supply chain shortage arising from increasing global economic downward pressure and international geopolitical risks has brought about numerous changes and uncertainties in the industry and market environment associated with the Group's businesses. The Group will make timely adjustment to its strategy and give proactive response so as to obtain operating initiatives in the market transformation where accelerating changes in the domestic industrial chain, the rebound in consumer demand and the upgrading of the consumer structure are taking place.

MANAGEMENT DISCUSSION AND ANALYSIS

II. PROSPECTS

The global economic downturn, subsisting geopolitical risks, and uncertainties in domestic economic development in 2023 will lead the Group in facing certain challenges in its “14th Five-Year Plan” development, and our industrial operations also enter a critical stage of strategic upgrading and breakthroughs. The Group will continue to unleash its inherent development potential that has accumulated over the years, and efficiently push forward various key tasks to revive the value of the capital market with excellent results.

Natural Gas Distribution Business of Beijing Gas

Beijing Gas will strengthen the advantages of its principal business, continue to consolidate and expand the market in Beijing, accelerate the integration of dissociate markets outside the Beijing market supply regime, increase the contribution of incremental sales from outside ports, and enhance upstream and downstream investments in the industry chain. It will actively implement the construction of the Nangang project, production preparation



and also its production and operation after commencement, and actively lay out the development of large-scale users along the Nangang LNG export transmission pipeline. Beijing Gas will constantly expand the substance and value of urban energy operation services. On the basis of consolidating and enhancing the traditional gas business, it will further increase the expansion of new energy and comprehensive energy business such as photovoltaic, accelerate the cultivation of new momentum for transformation and development, and speed the upgrade of “energy focus” segments. Beijing Gas will better coordinate development and safety by improving the safety management mechanism, deepen the checking and governance of hidden hazards to facilitate the safety production management to a higher level.

China Gas

China Gas will actively seize the development opportunities brought by national policies and market demands, vigorously respond to market demands, improve operational efficiency, deepen management reform, promote digital development, enhance safety operation level and risk management capability, and drive continuous and steady growth in performance. In addition, China Gas will uphold the principle of simultaneous development of economic and social benefits, and continue its commitment to serve the society by focusing on issues such as climate change, biodiversity protection, employee safety and health, green supply chain and green finance, so as to better fulfil its three major responsibilities regarding economy, environment and society, provide “smart” energy to society and the public, and make greater contributions to the development of clean energy in China.

MANAGEMENT DISCUSSION AND ANALYSIS

II. PROSPECTS *(Continued)*

Water Business

BE Water is integrating data and digital technologies into its corporate development to construct a corporate data asset and management system and also establishing a comprehensive, continuous, sustainable and innovative mechanism to build up its corporate technological and core competitive strength so as to edge out through product and service differentiation, and support its transition to asset-light development strategies. BE Water will continue to acquire and manage more large-scale



assets, create new business lines with technological and model innovation, improve its operational efficiency, secure high-quality and sustainable development, and strive for its vision of “becoming the world-class provider of reliable and leading water services and environmental services”.

Environmental Business

The domestic environmental business will benchmark itself against the industry benchmark, improve the economic efficiency of existing projects; choose the right track for incremental expansion and balance investment return; accelerate the progress of disposing of non-performing assets and clarify the operation strategy of hazardous waste business as early as possible. We will actively promote the integration of environmental platform assets and enhance the output of headquarters management efficiency.



In terms of overseas business, EEW GmbH will speed up the operation of the projects under construction and attain benefit contribution as soon as possible. At the same time, it will get prepared to meet challenges from various external economic uncertainties, ensure the stability of solid waste resources and production capacity, and strengthen integrated cost control as well.

MANAGEMENT DISCUSSION AND ANALYSIS

II. PROSPECTS *(Continued)*

Beer business

In future, Yanjing Brewery will fully leverage the upward momentum of performance rebound to proactively striving every effort to catch up with the leading industry benchmark. It will forge itself as high-end brand by expanding the core strategic achievements of U8, promote the sales volume of U8 to a new stage by actively exploring innovative ways of cooperation with more industries through concentrating on advantages marketing resources. Through consolidating market foundation and accelerating market



upgrade, it will widen and deepen the penetration of high-frequency consumer scenarios. It will enrich the mid-to high-end product matrix, position the mid-to high-end price band with the large single product represented by Yanjing U8, increase the promotion of fine wine products, accelerate the development of low-alcohol, low-calorie, fruit beer products and incubate the market, and shape the category benchmark. At the same time, it will coordinate the phasing out of outdated production capacity and the governance of managing loss-making enterprises, so as to quickly break through the depressing asset values.

III. FINANCIAL REVIEW

Revenue

The revenue of the Group in 2022 was HK\$92.3 billion, which increased by 14.6% as compared with 2021. Of which, the revenue of Beijing Gas was HK\$69.61 billion, representing a year-on-year increase of 19.8%, which accounted for 75.4% of total revenue. The revenue from beer sales was HK\$13.47 billion, which accounted for 14.6% of total revenue. The solid waste treatment businesses contributed a total revenue of HK\$9.14 billion, which accounted for 9.9% of total revenue, including the revenue of EEW GmbH amounted to HK\$5.9 billion.

Cost of Sales

Cost of sales increased by 17.3% to HK\$80.01 billion. Cost of sales of the gas distribution business included the purchase cost of natural gas as well as the depreciation charge of the pipeline network. Cost of sales of the brewery business included raw materials, wage expenses, and absorption of certain direct overheads. Cost of sales of solid waste treatment business included fuel charges, amortization, and waste collection costs.

Gross Profit Margin

In 2022, the overall gross profit margin was 13.3%, down by 2 percentage points when compared with 15.3% last year. The decrease in overall gross profit margin was mainly attributable to the increase in costs of Beijing Gas.

MANAGEMENT DISCUSSION AND ANALYSIS

III. FINANCIAL REVIEW *(Continued)*

Gain on Deemed Disposal of Partial Interests in Associates, Net

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

There was no related gain in 2022.

Other Income

Other income was mainly comprised of government grants of HK\$350 million; dividend income of HK\$325 million; gain on transfer of assets from customers of HK\$46 million; income of sales of scrap and beer bottles of Yanjing Brewery amounting to HK\$224 million and bank interest income amounting to HK\$688 million.

Selling and Distribution Expenses

Selling and distribution expenses of the Group in 2022 were HK\$2.25 billion, which decreased slightly by 1.2% year-on-year.

Administrative Expenses

Administrative expenses of the Group in 2022 were HK\$6.56 billion, which increased slightly by 4% when compared to last year, implying that the related cost control was effective.

Other Operating Expenses, net

Other operating expenses, net increased when compared to last year, which was mainly due to the impairment of certain assets of the solid waste business.

Finance Costs

The finance costs of the Group in 2022 were HK\$2.07 billion, which increased by 15.5% when compared to last year, which was mainly due to the increase in the cost of loans in the second half of 2022 as a result of the increase in interest rates due to the impact of global inflation.

Share of Profits and Losses of Associates

The share of profits and losses of associates mainly comprised the share of profit attributable of PipeChina Beijing Pipeline Co. to the Group, its share of profit attributable to shareholders of VCNG, the share of profit attributable to China Gas, and the share of profit attributable to BE Water.

In 2022, the Group shared the profit after taxation of PipeChina Beijing Pipeline Co. amounting to HK\$2.08 billion, the profit after taxation of VCNG amounting to HK\$1.43 billion, the profit after taxation of China Gas amounting to HK\$1.56 billion and the net profit of BE Water amounting to HK\$565 million.

Taxation

After deducting the share of profits and losses of associates and jointly-controlled entities, the effective income tax rate was 31.7%, which was higher than the 20.9% last year and was mainly due to the non-taxable gain on the deemed disposal of a portion of an interest in an associate in the same period last year.

Profit Attributable to Shareholders of the Company

The profit attributable to the shareholders of the Company for the year ended 31 December 2022 was HK\$7.57 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. FINANCIAL POSITION OF THE GROUP

Non-current assets

Property, plant and equipment

The net book value of property, plant and equipment was approximately HK\$63.8 billion, which increased by 5.2% over last year, which was mainly attributable to the increase in construction projects of Beijing Gas.

Other intangible assets

Other intangible assets were mainly from EEW GmbH.

Investments in associates

The decrease in the balance of HK\$2.09 billion was mainly due to the decrease in the Group's share of net assets of associates as a result of the year-on-year depreciation of Renminbi.

Equity investments at fair value through other comprehensive income

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

Receivables under a finance lease

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

Financial asset at fair value through profit or loss

It mainly represented the fair value of Beijing Gas' investment in Beijing Guolian Energy Industrial Investment Fund (L.P.), and the disposal of relevant assets was completed during the year.

Prepayments, other receivables and other assets

The balances increased by HK\$1.88 billion, which was mainly composed of bank's time deposits and certificates of deposit of Beijing Gas with maturity over one year.

Current assets

Inventories

It mainly represented the inventory balance of Yanjing Brewery.

Trade receivables

The decrease of HK\$1.1 billion was mainly due to the settlement of gas purchased by Gas Power Plants customers of Beijing Gas during the year.

Prepayments, other receivables and other assets

The increase in balances of HK\$1.89 billion was mainly due to the dividend receivable from PipeChina Beijing Pipeline Co., by Beijing Gas. The relevant dividend was received after the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. FINANCIAL POSITION OF THE GROUP *(Continued)*

Current assets *(Continued)*

Cash and Bank Borrowings

As of 31 December 2022, cash and bank deposits held by the Group amounted to HK\$31.35 billion. The Group maintains sufficient banking facilities for its working capital requirements and has sufficient cash resources to finance its capital expenditures in the foreseeable future.

The Group's total borrowings amounted to HK\$77.39 billion as of 31 December 2022, which comprised, inter alia, guaranteed bonds and senior notes of US\$1.8 billion in total, Euro guaranteed bonds amounting to EURO.9 billion, Euro bridging loan amounting to EUR1.6 billion and medium and long term bank loans of the Company's headquarter amounting to HK\$20.1 billion. Around 53.1% of the total borrowings were denominated in US and Hong Kong dollars and 32.8% in Euro. The Group had net borrowings of HK\$46.04 billion as of 31 December 2022, which increased by 18.8% year-on-year.

Non-current liabilities

Bank and other borrowings

There was an increase of HK\$19.05 billion in long-term and short-term balances in total, which was due to the refinance of matured guaranteed bonds and notes with bridging bank loans during the year.

Guaranteed bonds and notes

The aggregate decrease of HK\$13.66 billion in non-current and current guaranteed bonds and notes was mainly due to the refinance of matured guaranteed bonds amounting to EUR800 million and guaranteed notes amounting to US\$800 million with bridging bank loans during the year.

Provision for onerous contracts and major overhauls

The balances were mainly from EEW GmbH.

Current liabilities

Other payables, accruals and contract liabilities

The decrease in the balance of HK\$1.64 billion was mainly due to year-on-year decrease in prepayments of Beijing Gas.

Liquidity and Capital Resource

The downstream natural gas distribution business, plus the dividends income from PetroChina Beijing Pipeline Co., the dividends from BE Water, China Gas, and EEW GmbH, has been constantly contributing to the operating cash flow of the Group and significantly increased its liquidity. As of the end of 2022, the issued capital of the Company amounted to 1,260,203,268 shares and the shareholders' equity was HK\$89.92 billion. Total equity was HK\$103.04 billion. The gearing ratio, that is all the interest-bearing borrowings and guaranteed bonds and notes divided by the sum of total equity plus all interest-bearing borrowings and guaranteed bonds and notes was 43% (2021: 40%).

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

DAI Xiaofeng, aged 46, is the Executive Director and Chairman of the Company. He also serves as Vice General Manager of Beijing Enterprises Group Company Limited. Mr. Dai is a PRC senior accountant. He graduated from the College of Economics and Management of the China Agricultural University, and received an MBA degree from the School of Economics and Management of the Tsinghua University. From 2002 to 2004, Mr. Dai was an assistant finance manager of Huayi Pharmaceutical Co., Ltd. and a finance manager of Beijing Gas Group Company Limited from 2006 to 2014. Mr. Dai joined the Company in 2014 as Vice CFO of the Company. He was appointed as Vice President of the Company in December 2019 and re-designated as Executive Director of the Company in February 2021. He was re-designated as Executive Director and Chairman in July 2022.

JIANG Xinhao, aged 58, is the Executive Director and Vice Chairman of the Company. Mr. Jiang also serves as Vice General Manager of Beijing Enterprises Group Company Limited, Executive Director of Beijing Enterprises Water Group Limited (stock code: 371) as well as Non-executive Director of China Gas Holdings Limited (stock code: 384). Mr. Jiang is a chief senior economist. He graduated from Fudan University in 1987 with a bachelor's degree in law, then he served as a Policy Analyst of the Chinese State Commission of Restructuring Economic System from 1987 to 1989. In 1992, he was granted a master's degree in law at 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 manager of the investment development department of Beijing Holdings Limited and General Manager of Beijing BHL Investment Center between May 2000 and February 2005. From January 2011 to June 2016, Mr. Jiang was Executive Director of Beijing Properties (Holdings) Limited (stock code: 925). Mr. Jiang has extensive experience in economics, finance and corporate management. Mr. Jiang joined the Company in February 2005. He was re-designated as Executive Director and Vice Chairman in February 2021.

XIONG Bin, aged 56, is the Executive Director and CEO of the Company. He also serves as Executive Director and Chairman of Beijing Enterprises Water Group Limited (stock code: 371), Vice Chairman and Non-executive Director of China Gas Holdings Limited (stock code: 384), Assistant to General Manager of Beijing Enterprises Group Company Limited and 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. Also, Mr. Xiong has joined Beijing Enterprises Group Company Limited since 2011 and by working at its Strategic Investment Department, he has enriched his experience in strategic and investment management skills. Mr. Xiong was appointed as Executive Director and Chief Executive Officer of the Company in February 2021.

TAM Chun Fai, aged 60, is the Executive Director and Company Secretary of the Company. Mr. Tam also serves as an Independent Non-executive Director of Hi Sun Technology (China) Limited (stock code: 818) and KWG Property Holding Limited (stock code: 1813). Mr. Tam graduated from the Hong Kong Polytechnic University with a bachelor's degree in accountancy and is a regular member of Chartered Financial Analyst and a member of Hong Kong Institute of Certified Public Accountants. Mr. Tam has extensive experience in auditing and corporate advisory services with major international accounting firms. He was involved in floatation and audit work of a wide variety of businesses, including electronics, electrical appliances, athletic shoes manufacturing, banking, insurance, securities and property development. Mr. Tam joined the Company in April 1997 and has been involved in financial management, corporate finance, compliance and investor relationship function of the Company. Through his role as Independent Non-executive Director in Hi Sun Technology (China) Limited and KWG Property Holding Limited, Mr. Tam further enriches his experience in corporate governance and compliance work of listed companies in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

WU Jiesi, aged 71, holds a doctorate degree in Economics. He is the Chairman of Fuhai Yintao Asset Management Co. Ltd. as well as Independent Non-executive Director of Industrial and Commercial Bank of China (Asia) Limited. He conducted post-doctoral research work in theoretical economics at the Nankai University in the PRC and was conferred the professorship qualification by the Nankai University in 2001. During the period from 1984 to 1995, Mr. Wu worked at the Industrial and Commercial Bank of China in a number of positions, including as the President of Shenzhen Branch. From 1995 to 1998, Mr. Wu was Vice Mayor of Shenzhen Municipal Government and from 1998 to 2000 he was the assistant to the Governor of Guangdong province. He was the Chairman of Guangdong Yue Gang Investment Holdings Company Limited and GDH Limited, Non-executive Director of Shenzhen Investment Limited (stock code: 604) (from 2006 to 2020), Independent Non-executive Director of China Taiping Insurance Holdings Company Limited (stock code: 966) (from 2000 to 2020), Non-executive Director of Silver Base Group Holdings Limited (stock code: 886) (from 2008 to 2021) and Independent Non-executive Director of China Citic Bank International Limited (from 2013 to 2022). He has extensive experience in finance and management. Mr. Wu joined the Company in July 2004.

LAM Hoi Ham, *Justice of Peace*, aged 84, was graduated from the faculty of economics of The University of Hong Kong, is the founder of the accounting firm H H Lam & Co., and is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lam was granted Medal of Honour by The Hong Kong Government in 1994 and was appointed a Justice of the Peace in 1997. Mr. Lam previously served as a Standing Committee member of the 10th and 11th National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China of Beijing City and served as its Senior Consultant. He was the Vice Chairman of Beijing Overseas Friendship Association and a committee member of Beijing Health Department Overseas Friendship Association, etc. Mr. Lam joined the Company in March 2008.

YU Sun Say, *G.B.M., J.P.*, aged 84, is Chairman of the H.K.I. Group of companies, director of a number of manufacturing and investment companies, Independent Non-Executive Director of Tongda Group Holdings Limited (stock code: 698), Wong's International Holdings Limited (stock code: 99) and Fu Shek Financial Holdings Limited (stock code: 2263), member of the Standing Committee of the Chinese General Chamber of Commerce, Permanent Honorary President of the Chinese Manufacturers' Association of Hong Kong. Dr. Yu was member of the Standing Committee of the Chinese People's Political Consultative Conference as well as member of the Preparatory Committee for the Hong Kong Special Administrative Region and its Hong Kong Affairs Adviser. Dr. Yu joined the Company in March 2014.

CHAN Man Ki Maggie, *M.H., J.P.*, aged 54, obtained her Bachelor degree in Laws and Postgraduate Certificate in Laws from the University of Hong Kong in 1991 and 1992 respectively. She is the founder and managing partner of CMK lawyers, a law firm in Hong Kong, and has over 27 years of experience in providing legal advices and services as a solicitor in Hong Kong. Ms. Chan is also a lawyer in the Guangdong-Hong Kong-Macao Greater Bay Area and her practice institution is Sino-Win Law Firm.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chan is an Accredited Mediator and a China-Appointed Attesting Officer in Hong Kong. She is also the founding president of The Small and Medium Law Firms Association of Hong Kong. Furthermore, Ms. Chan is a Specially Invited Mediator of Guangdong Court for Cross-border Commercial Dispute Resolution in the Guangdong-Hong Kong-Macao Greater Bay Area, a Mediator of Shenzhen Qianhai International Commercial Mediation Centre, and an Arbitrator of China Guangzhou Arbitration Commission, Shenzhen Court of International Arbitration and Qingdao Arbitration Commission. She is also an independent non-executive director of Wine's Link International Holdings Limited (stock code: 8509), China State Construction Development Holdings Limited (stock code: 830) and Nine Dragons Paper (Holdings) Limited (stock code: 2689).

Ms. Chan has also undertaken various community positions in Hong Kong including being an Ex-officio Member of Election Committee and Chairman of Appeal Tribunal Panel (Building Ordinance). She was awarded the Medal of Honor in 2012 and Justice of the Peace in 2015 by the Government of the Hong Kong Special Administrative Region. Ms. Chan was also conferred with Honorary Fellow by City University of Hong Kong in 2013. She was elected as a Hong Kong Deputy to the National People's Congress of the PRC (the 13th session and 14th session) in 2017 and 2022 respectively, an executive member of the All-China Women's Federation Executive Committee in 2018, a president of All-China Women's Federation Hong Kong Delegates Association Ltd. in 2021 and a Legislative Council Member of the Hong Kong Special Administrative Region in 2022. Ms. Chan joined the Company in September 2022.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

ZHI Xiaoye, aged 55, is Vice President of the Company. Mr. Zhi also serves as General Manager of Beijing Gas Group Company Limited, and Non-Executive Director and Chairman of Beijing Gas Blue Sky Holdings Limited (stock code: 6828). Mr. Zhi graduated from Beijing University of Technology with a master's degree in Management Science and Engineering, possesses the title of senior engineer, and had worked at Tokyo Gas in Japan as researcher. Prior to joining the Company, Mr. Zhi worked at Beijing Gas Group Company Limited as transmission branch Manager, at Beijing Dingxin New Technology Company Limited (北京市鼎新新技术有限公司) as Chairman and at Beijing Gas Group Company Limited as Executive Deputy General Manager. Mr. Zhi has plenty of experience in pipe gas business and corporate management. Mr. Zhi was appointed as Vice President of the Company in July 2014.

KE Jian, aged 54, is Vice President of the Company. Mr. Ke also serves as an Executive Director of Beijing Enterprises Water Group Limited (stock code: 371) and Chairman of Beijing Enterprises Environment Group Limited (stock code: 154). Mr. Ke is a PRC chief senior accountant, certified tax agent and senior international finance manager. Mr. Ke received a bachelor's degree in economics from Beijing College of Finance and Commerce and an MBA degree from Murdoch University, Australia. Mr. Ke has extensive experience in finance and corporate administration. He joined the Company in 1997 and was appointed as Vice President of the Company in April 2011.

SHA Ning, aged 52, is Vice President of the Company. Ms. Sha also serves as Executive Director of Beijing Enterprises Water Group Limited (stock code: 371) and Beijing Enterprises Environment Group Limited (stock code: 154). 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 chief senior accountant. Ms. Sha has accumulated extensive experience in financial management. Ms. Sha joined the Company in 2001 and was appointed as Vice President of the Company in January 2017.

CHEN Xinguo, aged 55, is Vice President of the Company. Mr. Chen also serves as Executive Director and Chief Executive Officer of Beijing Enterprises Environment Group Limited (stock code: 154). Mr. Chen is a senior economist. He graduated from the Department of Industrial Economics and Planned Economics of Renmin University of China, and received doctorate degree in economics from Renmin University of China. Prior to joining the Company, Mr. Chen was an Officer and a Deputy Commissioner of Beijing Planning Committee and Beijing Development and Planning Committee from 1994 to 2003. From 2003 to 2021, he was an assistant manager of the investment department of Beijing Holdings Limited; a manager of strategic development department of Beijing Enterprises Group Company Limited; a Deputy General Manager of Beijing Gas Group Company Limited; an Executive Director and Vice President of China Gas Holdings Limited (stock code: 384). He has substantial experience in business management and development. Mr. Chen has been appointed as Vice President of the Company since July 2021.

ZHANG Yang, aged 50, is Vice President of the Company. He graduated from Renmin University of China with a bachelor's degree in history. From July 1996 to January 2017, Mr. Zhang worked at Beijing Municipal Sports Committee and Beijing Municipal Bureau of Sports, the General Office of Beijing Municipality and the General Office of the Standing Committee of Beijing Municipal People's Congress. From January 2017 to July 2021, he worked as executive deputy director of general office, director of research office, and general manager of reform and development department of Beijing Enterprises Group Company Limited, and concurrently held the position of Director of Beijing Holdings Limited and Beijing General Municipal Engineering Design & Research Institute Co., Ltd. Mr. Zhang has been appointed as Vice President of the Company since July 2021.

REPORT OF THE DIRECTORS

The Board present their report and the audited financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements.

Further discussion and analysis of the business review required by Schedule 5 to the Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Management Discussion and Analysis" set out on pages 9 to 20 of this Report. This discussion forms part of this "Report of the Directors".

EVENTS AFTER THE REPORTING PERIOD

Save for the events set out in note 51 to the financial statements, there is no significant event occurring after the reporting period.

KEY PERFORMANCE INDICATORS

The key performance indicators of the Company's business are stated in the section titled "Financial Highlights" on page 5 of this Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Since its inception, the Company has been upholding the social responsibility mission of "investment for a prosperous life". It formed a co-development business layout in public utility industry segment focusing on gas, water and environment together with the beer industry through the transformation, upgrading and responsibility investment measures. In serving the national ecological civilization construction, providing social clean development momentum, and satisfying the public demand for quality life, the Company continues to grow. We adhered to "sustainable development", continued to explore and practice green, low-carbon, and environmentally friendly models of development and strengthened environmental management in production, projects, and operations. We vigorously invested and applied energy-saving and emission reduction technologies to improve the efficiency of energy resources. Taking advantage of our core business, we actively communicated the concept of low-carbon environmental protection to the society.

Beijing Gas determined the target on methane emission reduction: it will control the intensity of methane emission to fall below 0.12% by 2025 and reduce the intensity of emission to nearly zero by 2030. At the same time, it actively develops an energy management system, requiring the priority use of clean energy in production, living and construction, and the use of processes with high resource efficiency and low pollutant emissions. Furthermore, Beijing Gas utilised geothermal energy, solar energy and other renewable energies to constantly explore the development and utilisation methods and application scenarios of renewable energies, expand the scope of use of renewable energies and facilitate energy conservation and reduction of pollutant emissions.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE *(Continued)*

In the environmental operation segment, EEW GmbH has set the operational targets of “climate neutral” by 2030 and “climate positive” by 2040. The domestic project companies under the solid waste platform established the leading group on energy-saving works during the year and included energy-saving into corporate key agenda. At the same time, the Company continued to promote the standardised waste management under the solid waste platform, stringently regulated the collection, storage and disposal of wastes, conducted online monitoring on waste gas generated from operation process with real time connection to environmental protection authorities.

For the brewery business, Yanjing Brewery established the environmental protection and energy conservation department as the main functional department for environment protection. At the same time, Yanjing Brewery promotes the construction of a green manufacturing system and implements energy consumption benchmarking, constantly studying and researching the utilization of energy consumption, and exploring the potential of energy conservation. Yanjing Brewery also strengthened its emission reduction measures. During the year, it set and achieved the target of “reducing the total emissions of nitrogen oxide in pollutants, total phosphorus, chemical oxygen demand and ammonia nitrogen in waste water by 5%”.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Board review and monitor the Group’s policies and practices on compliance with legal and regulatory requirements on a regular basis. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

During the year under review, to the best of our knowledge, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

RELATIONSHIP WITH STAKEHOLDERS

Stakeholders	Topics concerned	Response channel	Effectiveness of communication
Government and Regulatory Authorities	Lawful business operations	Daily report and communication	Developed strategic cooperation with local governments
	Pay taxes according to relevant laws	Seminars and on-site meeting	
	Increase employment opportunities, promote sustainable and healthy economic development	Forum and exchange programme	Created good external environment for enterprise development

REPORT OF THE DIRECTORS

RELATIONSHIP WITH STAKEHOLDERS *(Continued)*

Stakeholders	Topics concerned	Response channel	Effectiveness of communication
Shareholders and investors		Annual reports and announcements	Established good relationship with investors
	Satisfactory investment return	Roadshows and investors meetings	Continuous improvement on credibility with investors
	Good market value	Telephone conference with analysts	Obtained the support from investors and shareholders on material decisions
	Transparent operation	Annual general meeting	
	Improvement of profitability and core competitiveness	Company website	
Customers	Continuous and stable supply of products	Customer forums	Continuous improvement on business operation based on customers' feedback
	High-quality and safe products	Telephone service hot-line	Efficient and timely solutions for customers' complaints
	Considerate and convenient service	Community services centers	Continuous improvement on customers service
	Smooth communication channels	Customer satisfaction survey	
Business Partner	Fair procurement		Prepared suppliers management requirements, improved effectiveness of supply chain
	Sincerity and mutual benefit	Suppliers' conference	
	Long term and stable cooperation	Strategic cooperation	Facilitated co-development of upstream and downstream business partners
Staff	Comprehensive rights and interests protection	Employee congress	Vertical and horizontal communication among staff and hierarchies
	Good platform for career development	Complaint mail box	Created a harmonious workplace
	Work-life balance	Democratic communication platform	Built a healthy and safe working environment
	Occupational health		

REPORT OF THE DIRECTORS

RELATIONSHIP WITH STAKEHOLDERS *(Continued)*

Stakeholders	Topics concerned	Response channel	Effectiveness of communication
Communities and non-governmental organisations	Community development		
	Establishment of a harmonious community	Science activities Community propaganda	Employed social supervisor for inspecting and supervising service quality
	Improvement in the environment of the community	Participating in public welfare and environmental protection activities	Established good relationship with local community
	Open and transparent information		Created a good external environment for the enterprise development
Media		Annual report and announcement	
	Financial performance	Annual and interim results presentations	Established a good relationship with media
	Corporate governance	News releases and publications	Maintained company image and received public recognition
	Information disclosure	Media interview	
		Media inquiries	
Environment	Supply of clean energy		Implemented the “Clean Air Action Plan”
	Waste treatment	Annual report and announcements	Participated in environmental projects
	Practice green operation		

REPORT OF THE DIRECTORS

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2022 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 56 to 194.

An interim dividend of HK50 cents per ordinary share was paid on 27 October 2022. The Board recommended the payment of a final dividend of HK\$1.1 per share for the year ended 31 December 2022 payable to Shareholders on the register of members of the Company on 7 July 2023. Subject to the approval of Shareholders at the 2023 AGM, the final dividend will be paid on 24 July 2023.

AGM

The 2023 AGM will be held on Friday, 16 June 2023. The notice of the 2023 AGM, which constitutes part of the circular to Shareholders, will be sent to all Shareholders separately and will be published on the Company's website (www.behl.com.hk) and the HKSE's website (www.hkexnews.hk).

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining Shareholders' eligibility to attend and vote at the 2023 AGM, and entitlement to the final dividend, the register of members will be closed. Details of such closures are set out below:

- (i) For determining Shareholders' eligibility to attend and vote at the 2023 AGM:

Latest time to lodge transfer documents for registration 4:30 pm on Monday, 12 June 2023

Closure of register of members Tuesday, 13 June 2023 to
Friday, 16 June 2023
(both dates inclusive)

2023 AGM Friday, 16 June 2023

- (ii) For determining Shareholders' entitlement to the final dividend:

Latest time to lodge transfer documents for registration 4:30 pm on Monday, 3 July 2023

Closure of register of members Tuesday, 4 July 2023 to
Friday, 7 July 2023
(both dates inclusive)

Record date Friday, 7 July 2023

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2023 AGM, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the aforementioned latest time.

REPORT OF THE DIRECTORS

EMPLOYEES

As at 31 December 2022, the Group had approximately 33,000 employees. The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and package are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and equity of the Group for the last five financial years as extracted from the audited financial statements and the annual report of the Company for the year ended 31 December 2022 is set out on pages 195 to 196. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT, AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital of the Company during the year are set out in note 31 to the financial statements.

The Company currently does not have any effective share option scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, the Company bought back a total of 1,850,000 ordinary shares of the Company on the HKSE. All the bought back shares were subsequently cancelled by the Company. Details of the buybacks of such ordinary shares are as follows:

Month	Number of Shares bought back	Price per Share		Total consideration paid HK\$
		Highest HK\$	Lowest HK\$	
January	800,000	28.40	27.45	22,170,550.00
October	750,000	24.15	21.30	16,829,000.00
November	300,000	22.00	20.60	6,362,400.00
Total:	1,850,000			45,361,950.00

The buy-back of the Company's shares during the year was effected by the Directors, pursuant to the mandate from Shareholders received at the last annual general meeting, with a view to benefiting Shareholders as a whole by enhancing the net asset value per share and earning per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on the HKSE for the year ended 31 December 2022.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the provisions of part 6 of the Companies Ordinance amounted to HK\$1,386,224,000 (2021: HK\$1,072,745,000).

MAJOR CUSTOMERS AND MAJOR SUPPLIERS

In the year under review, sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's turnover and total purchases for the year, respectively.

DIRECTORS

Directors during the year and up to the date of this Report are:

Executive Directors

DAI Xiaofeng

JIANG Xinhao

XIONG Bin

TAM Chun Fai

LI Yongcheng (resigned on 11 July 2022)

ZHAO Xiaodong (resigned on 26 April 2022)

Independent Non-executive Directors

WU Jiesi

LAM Hoi Ham

YU Sun Say

CHAN Man Ki Maggie (appointed on 1 September 2022)

DIRECTORS OF SUBSIDIARIES

The names of directors who have served on the boards of the principal subsidiaries of the Company during the financial year ended 31 December 2022 or during the period from 1 January 2022 up to the date of this Report are available on the Company's website (www.behl.com.hk).

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

During the year under review and up to the date of this Report, board changes of the Company are as follows:

Mr. ZHAO Xiaodong resigned as Executive Director and Vice Chairman of the Board on 26 April 2022.

Mr. LI Yongcheng resigned as Executive Director, Chairman of the Board, Chairman of the Nomination Committee, member of the Remuneration Committee and Chairman of the Investment Committee of the Company on 11 July 2022.

Mr. DAI Xiaofeng was re-designated as Executive Director and Chairman of the Board, and replaced Mr. LI Yongcheng to hold the positions of Chairman of the Nomination Committee, member of the Remuneration Committee and Chairman of the Investment Committee on 11 July 2022.

Ms. CHAN Man Ki Maggie has been appointed as Independent Non-executive Director, member of the Nomination Committee and member of the Investment Committee on 1 September 2022.

REPORT OF THE DIRECTORS

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION *(Continued)*

During the year under review and up to the date of this Report, changes in Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out as follows:

	Date of Appointment	Date of Resignation
Mr. XIONG Bin BE Water <i>(Note 1)</i> Executive director and the chairman of the board	11 July 2022	
Mr. WU Jiesi China Citic Bank International Limited Independent non-executive director		17 June 2022
Ms. CHAN Man Ki Maggie Nine Dragons Paper (Holdings) Limited <i>(Note 2)</i> Independent non-executive director	6 February 2023	

Note 1: a company listed on the Hong Kong Stock Exchange (stock code: 371)

Note 2: a company listed on the Hong Kong Stock Exchange (stock code: 2689)

In accordance with articles 98 and 107 of the Articles of Association and the recommendation of the Board, Mr. DAI Xiaofeng, Mr. TAM Chun Fai, Mr. WU Jiesi and Ms. CHAN Man Ki Maggie will retire and, being eligible, will offer themselves for re-election at the 2023 AGM.

The Company has received annual confirmations of independence from each of the Independent Non-executive Directors, and as at the date of this Report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the Senior Management are set out on pages 21 to 24 of this Report.

DIRECTOR'S SERVICE CONTRACT

No Director proposed for re-election at the 2023 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 Board has to seek Shareholders' authorisation at general meetings to fix the Directors' remuneration with reference to individual Director's duties, responsibilities and performance, the results of the Group as well as recommendation of the Remuneration Committee.

Further details of the Remuneration Committee are set out in the Corporate Governance Report on pages 38 to 50 of this Report.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS & CONTRACTS

No Director had a material interest, either directly or indirectly, in any transaction, arrangement and contract of significance to the business of the Group to which the Company, any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors had any interest in any business apart from the Company's business which competes or is likely to compete, either directly or indirectly, with the Company's business.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2022, the interests and short positions of the Directors and the Chief Executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the HKSE pursuant to the Model Code, were as follows:

(A) LONG POSITIONS IN SHARES OF THE COMPANY

Director	Number of ordinary shares directly beneficially owned	Percentage of the Company's total number of issued shares
XIONG Bin	40,000	0.003%
JIANG Xinhao	20,000	0.002%
TAM Chun Fai	2,000	0.000%

(B) LONG POSITIONS IN SHARES OF ASSOCIATED CORPORATIONS

Director	Associated corporation	Number of ordinary shares directly beneficially owned	Percentage of the associated corporations' total number of issued shares
TAM Chun Fai	BE Environment	50,000	0.003%
YU Sun Say	BE Water	100,000	0.001%

Save as disclosed above, as at 31 December 2022, none of the Directors or the Chief Executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the HKSE pursuant to the Model Code.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 minor children, 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 to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2022, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions:

Name	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's total number of issued shares
	Directly beneficially owned	Others	Total	
BHL	4,478,000	–	4,478,000	0.36%
MOL	100,050,000	–	100,050,000	7.94%
BEIL	163,730,288	100,050,000 ^(a)	263,780,288	20.93%
BE Group BVI	518,187,500	263,780,288 ^(b)	781,967,788	62.05%
BE Group	–	786,445,788 ^(c)	786,445,788	62.41%

Notes:

- (a) The interest disclosed includes the shares owned by MOL. MOL is a wholly-owned subsidiary of BEIL. Accordingly, BEIL is deemed to be interested in the shares owned by MOL.
- (b) The interest disclosed includes the shares owned by BEIL and MOL. BEIL, the holding company of MOL, is held directly as to 72.72% by BE Group BVI. Accordingly, BE Group BVI is deemed to be interested in the shares owned by BEIL and MOL.
- (c) The interest disclosed includes the interest in shares held by BE Group BVI as detailed in note (b) and BHL. BE Group BVI and BHL are wholly-owned subsidiaries of BE Group. Accordingly, BE Group is deemed to be interested in the shares held by BE Group BVI, BEIL, MOL and BHL.

Save as disclosed above, as at 31 December 2022, no person, other than the Directors, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions and continuing connected transactions undertaken by the Group during the year are set out in note 47 to the financial statements.

Opinion from the Independent Non-executive Directors

The Independent Non-executive Directors have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Opinion from the Independent Auditor

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions 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 (Revised) *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young has issued their unmodified letter containing their findings and conclusions in respect of the continuing connected transactions which are subject to annual review under Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the HKSE.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

As at the date of this Report, details of the agreements (the "Agreement(s)") with covenants relating to specific performance obligations of the Company's holding companies which constitute 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
5 May 2011	Purchase agreement for issuance of senior notes	US\$400	May 2041
1 December 2015	Subscription agreement for issuance of bonds	US\$200	December 2040
17 July 2018	Term loan facility with a bank	EUR350	July 2023
17 September 2020	Subscription agreement for issuance of bonds	EUR500	September 2025
23 November 2020	Term loan facility with respective banks	HK\$4,000	November 2025
18 February 2021	Term loan facility with a bank	HK\$2,000	February 2026
28 April 2021	Subscription agreement for issuance of bonds	US\$300	May 2026

REPORT OF THE DIRECTORS

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS *(Continued)*

Date of the Agreement(s)/ Issuance of Notes	Nature of the Agreement(s)/Notes	Aggregate Amount (million)	Final Maturity
28 April 2021	Subscription agreement for issuance of bonds	US\$400	May 2031
18 June 2021	Term loan facility with a bank	HK\$4,000	June 2026
19 November 2021	Term loan facility with a bank	HK\$4,200	November 2026
3 December 2021	Term loan facility with a bank	HK\$2,000	December 2026
12 April 2022	Term loan facilities with respective banks	EUR360	April 2023
14 April 2022	Term loan facilities with respective banks	US\$550	April 2023
8 July 2022	Term loan facility with a bank	HK\$4,000	July 2027
10 November 2022	Term loan facility with a bank	EUR300	April 2023
23 November 2022	Term loan facility with a bank	EUR170	November 2023
23 March 2023	Issuance of medium-term notes	RMB4,000	March 2026

The Agreements include certain conditions imposing specific performance obligations on the Company's holding companies, among which are the following events which would constitute an event of default:

1. If BE Group does not or ceases to own, directly or indirectly, at least 40% or 50%, where applicable, of the beneficial interest of the Company; and
2. If BE Group ceases to be controlled and supervised by the People's Government of Beijing Municipality or SASAC of Beijing Municipality.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified by the Company against the losses which he/she may incur in the execution of the duties of his/her office, provided that this article shall only have effect in so far as it is not avoided by the Companies Ordinance.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during 2022.

DONATIONS

The Group's charitable donations during the year were approximately HK\$3,998,000.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements (including share option scheme) were entered into by the Company during the year and no such agreement subsisted at the end of the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this Report.

AUDITOR

Ernst & Young retire and a resolution for their reappointment as the auditor of the Company will be proposed at the 2023 AGM.

ON BEHALF OF THE BOARD

DAI Xiaofeng
Chairman

Hong Kong
31 March 2023

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed below, the Directors believe that the Company complied with the code provisions of the “Corporate Governance Code” (the “Code Provisions”) as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2022.

Due to other business engagements, the former Chairman of the Board, Mr. LI Yongcheng was unable to attend the annual general meeting of the Company held on 17 June 2022, which deviates from Code Provision F.2.2. However, he had arranged other Directors to attend the meeting and communicate with Shareholders.

CORPORATE STRATEGY AND CULTURE

The Company’s corporate vision is to build itself into a “leading international integrated public utilities service company” focused on the principal businesses of gas, water, solid waste treatment and brewery, as it steps up with low-carbon green transformation and upgrade in persistent adherence to the principle of sustainable development to achieve the mission of facilitating better urban life through energy conservation, emission reduction, pollution reduction, and carbon reduction. For details of the Company’s strategic initiatives and key measures for implementing its objectives and vision, please refer to the “Chairman’s Statement” and “Management Discussion and Analysis” in this Report.

The Company has always been greatly invested in cultivating our corporate culture and team spirit and also encouraging staff growth. We strive to nurture a corporate value with “trust, innovative, steadfast and understanding” as its core and build a humanistic, motivated corporate culture with easy and harmonious human contacts. We make great efforts in sharing the fruits of corporate development with our staff to realize the simultaneous growth in our staff and company value.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for securities transactions by the Directors. All the Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2022.

THE BOARD

Board Diversity Policy

The Board has adopted a Board Diversity Policy, which is reviewed annually by the Nomination Committee. With the aim of enhancing Board effectiveness and corporate governance level as well as achieving our Group’s business objectives, the Company sees increasing diversity at the Board level as an essential element in supporting its sustainable development. In designing the Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard to the benefits of Board diversity.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Board Diversity Policy *(Continued)*

Having reviewed the Board composition, the Board recognizes the importance and benefits of gender diversity at the Board level and has taken initiatives to identify female candidate(s) to enhance the gender diversity among the Board members. The Company has appointed a female representative in our Board on 1 September 2022. The Board's objective is to maintain at least one female representative on the Board.

During the reporting period, the Company has a solid slate of Directors with diverse perspectives, and varied educational background and professional qualifications. All of the Directors have accumulated experience in their respective field of expertise, and made use of their talent and experience to drive the industry so as to bring sustainable growth to the Company.

Composition and Role

The principal focus of the Board is on the overall strategic development of the Group, while the management is principally responsible for the Group's business operations. The Board provides guidance on business plans and monitors the results of such plans implemented by the management; reviews and approves the Company's financial objectives, plans and major financial activities; establishes the internal control system and the risk management system of the Company and discusses with the management regularly to ensure that such systems are operating effectively. The Board promotes a culture of integrity at the Company and requires all Directors and the management to comply with guidance related to integrity and ethics, including conflicts of interest, related party transactions and the treatment of confidential information. There is no relationship (including financial, business, family or other material/relevant relationships) among the Directors. All Board members can exercise own independent judgement.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three Independent Non-executive Directors. In addition, at least one Independent Non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Board considers that all Independent Non-executive Directors meet the specific independence criteria as required by the Listing Rules. The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent.

The Company has implemented a mechanism to ensure access to independent perspectives and opinions for the Board, including the provision of sufficient resources for the performance of its duties. Directors may seek the assistance of the Company Secretary of the Company and consult external professional consultants for independent opinion where necessary at the cost of the Company. Directors shall not vote or be counted in the quorum in respect of Board resolutions on any transactions, contracts or arrangements in which they or any of their close associates have a material interest. The Board has reviewed the implementation and effectiveness of the aforementioned mechanism and is of the view that the aforementioned mechanism is able to ensure the access to independent perspectives and opinions for the Board.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Composition and Role *(Continued)*

During the year, the attendance of meetings of Directors and general meeting is set out below:

Name	Attendance <i>(Note 1)</i>					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Investment Committee Meeting	Annual General Meeting
Executive Directors						
DAI Xiaofeng	5/5		1/1	1/1	0/0	1/1
JIANG Xinhao	5/5				0/0	1/1
XIONG Bin	5/5					1/1
TAM Chun Fai	5/5					1/1
LI Yongcheng <i>(Note 2)</i>	1/1		1/1	1/1	0/0	0/1
ZHAO Xiaodong <i>(Note 3)</i>	0/1					N/A
Independent Non-executive Directors						
WU Jiesi	5/5	2/2	2/2			1/1
LAM Hoi Ham	5/5	2/2	2/2	2/2	0/0	1/1
YU Sun Say	5/5	2/2		2/2	0/0	1/1
CHAN Man Ki Maggie <i>(Note 4)</i>	3/3			N/A	0/0	N/A

Notes: 1 During the year, no meeting was attended by any Director's alternate.

2 Resigned on 11 July 2022.

3 Resigned on 26 April 2022.

4 Appointed on 1 September 2022.

Directors' Training

It has been the Board's policy that every newly appointed Director is given a comprehensive, formal and tailored-made induction on appointment pursuant to Code Provision C.1.1. Also, from time to time, Directors are provided with briefings and trainings to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under relevant statutes, laws, Listing Rules and other regulations.

Pursuant to Code Provision D.1.2, Directors are provided with monthly reports updates which give a balanced and understandable assessment of the Company's performance and financial position to enable the Directors to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Directors' Training *(Continued)*

During the year, the Company organised an in-house seminar and provided reading materials for the Directors to ensure that they have participated in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by Directors during the year according to the records provided by the Directors is as follows:

Name		Attend Seminars/ Read Training Materials
<i>Executive Directors</i>		
DAI Xiaofeng		✓
JIANG Xinhao		✓
XIONG Bin		✓
TAM Chun Fai		✓
LI Yongcheng	(resigned on 11 July 2022)	N/A
ZHAO Xiaodong	(resigned on 26 April 2022)	N/A
<i>Independent Non-executive Directors</i>		
WU Jiesi		✓
LAM Hoi Ham		✓
YU Sun Say		✓
CHAN Man Ki Maggie	(appointed on 1 September 2022)	✓

Chairman and CEO

Mr. DAI Xiaofeng is the Chairman of the Board, and Mr. XIONG Bin is the CEO. During the year, the Company has complied with Code Provision C.2.1 which stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Non-executive Directors

Non-executive Directors (during the year, all non-executive Directors of the Company are Independent Non-executive Directors) serve the relevant function of bringing independent judgment on the development and performance, etc. of the Group. They have the same duties of care and skill and fiduciary duties as executive Directors.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Non-executive Directors *(Continued)*

The Company has entered into letters of appointment with all non-executive Directors (during the year, all non-executive Directors of the Company are Independent Non-executive Directors) for a term of three years. Their term of appointment is as follows:

Name	Term of Appointment
WU Jiesi	3 years from 1 April 2021
LAM Hoi Ham	3 years from 1 April 2021
YU Sun Say	3 years from 31 March 2023
CHAN Man Ki Maggie	3 years from 1 September 2022

Like all other Directors, the Non-executive Directors (during the year, all non-executive Directors of the Company are Independent Non-executive Directors) are subject to retirement by rotation and shall offer themselves for re-election in general meetings in accordance with the Articles of Association.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and Senior Management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- (e) to review the Company's compliance with the Code Provisions and the disclosures in the Corporate Governance Report.

AUDIT COMMITTEE

The current members of the Audit Committee are:

Mr. LAM Hoi Ham – Committee Chairman
Mr. WU Jiesi
Dr. YU Sun Say

All Audit Committee members are Independent Non-executive Directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The Audit Committee is primarily responsible for overseeing the Company's financial reporting system, risk management and internal control systems of the Company. The Company has adopted the written terms of reference which describe the authority and duties of the Audit Committee in accordance with Code Provision D.3.3. A copy of the terms of reference is posted on the Company's website. The Audit Committee meets regularly to review the reporting of financial and other information to Shareholders, the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditor in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditor.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE *(Continued)*

During the year, the work performed by the Audit Committee included: reviewed and approved the Company's annual results and interim results; reviewed the external auditor's scope of services, including audit work and non-audit work, and monitored their independence; reviewed the 2021 continuing connected transactions of the Company; reviewed with the management the Company's accounting principles and practices; and discussed with the Company's management the effectiveness of its risk management and internal control systems.

REMUNERATION COMMITTEE

The current members of the Remuneration Committee are:

Mr. WU Jiesi – Committee Chairman
Mr. DAI Xiaofeng
Mr. LAM Hoi Ham

The majority of the Remuneration Committee members are Independent Non-executive Directors. The Company has adopted the written terms of reference which describe the authority and duties of the Remuneration Committee in accordance with Code Provision E.1.2. A copy of the terms of reference is posted on the Company's website. The major duties of the Remuneration Committee include: advises the Board on the Company's overall remuneration policy and structure as well as remuneration packages for Directors and Senior Management of the Company; and ensures that no Director or any of his associate is involved in deciding his own remuneration.

The objective of the remuneration policy of the Company is to provide an equitable and competitive remuneration package so as to attract and retain the best employees to serve corporate needs. The remuneration package for each employee is structured to include: basic salary which is fixed to commensurate with market rate and each individual's experience and ability; share options granted with reference to an individual employee's position, performance and ability to contribute to the overall corporate success (the granting of share options is subject to Shareholders' mandates as required and the applicable laws and regulations of relevant jurisdictions); and other customary and/or mandatory benefits to employees, such as retirement fund scheme, insurance and paid holiday, with reference to prevailing practices in relevant jurisdictions. The Company does not grant equity-based remuneration (such as share options or grants) with performance-related elements to the Independent Non-executive Directors.

In evaluating the remuneration packages for Directors and Senior Management of the Company, the Remuneration Committee takes into consideration various factors such as salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group. During the year, the Remuneration Committee advised the Board on the Company's overall remuneration policy and structure as well as remuneration packages for Directors and Senior Management of the Company.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The current members of the Nomination Committee are:

Mr. DAI Xiaofeng – Committee Chairman

Dr. YU Sun Say

Ms. CHAN Man Ki Maggie

The majority of the Nomination Committee members are Independent Non-executive Directors. The Company has adopted the written terms of reference which describe the authority and duties of the Nomination Committee in accordance with Code Provision B.3.1. A copy of the terms of reference is posted on the Company's website. The major duties of the Nomination Committee include: to review the structure, size and diversity of the Board; to formulate and uphold the Nomination Policy; to formulate and uphold the Board Diversity Policy; to make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of Independent Non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO.

The Nomination Committee has adopted a Nomination Policy which sets out the criteria and procedures for nomination of Directors, a summary of which is as follows:–

Nomination Criteria:

In determining the suitability of a candidate, the Nomination Committee shall consider the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence, age, culture, ethnicity and gender diversity. The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the following:–

- (a) Skills and Experience: The candidate should possess the skills, knowledge and experience which are relevant to the business of the Group.
- (b) Diversity: Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the Board Diversity Policy of the Company and the balance of skills and experience in board composition.
- (c) Availability: The candidate shall be willing to devote adequate time for discharging the duties of a member of the Board and other director position.
- (d) Character and integrity: The candidate must satisfy the Board and HKSE that he/she is a person of integrity and honesty, and has the character, experience and integrity commensurate with the relevant position as a Director.
- (e) Independence: The candidate to be nominated as an Independent Non-executive Director must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE *(Continued)*

Nomination Procedures:

- (1) If the Board determines that an additional or replacement Director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate.
- (2) The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a Shareholder as a nominee for election to the Board.
- (3) Upon considering a candidate suitable for the position of Director, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment.
- (4) On making recommendation, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate as Director to fill a casual vacancy or as an addition to the Board or recommend such candidate to Shareholders for election or re-election (where appropriate) at the general meeting.

INVESTMENT COMMITTEE

The current members of the Investment Committee are:

Mr. DAI Xiaofeng – Committee Chairman
Mr. JIANG Xinhao
Mr. LAM Hoi Ham
Ms. CHAN Man Ki Maggie

The Investment Committee was established with the aims to strengthen the Company's ability in decision making for investments through assessing its major development plans and transactions, etc. The majority of the Investment Committee members are Independent Non-executive Directors. During the year, the Investment Committee did not hold any meeting as the Group did not have any important investment to assess important investments.

AUDITOR'S REMUNERATION

During the year ended 31 December 2022, fees paid and payable by the Company to the external auditor of the Company and the external auditor of an associate are analysed as follows:

	HK\$'000
Annual audit service fees paid and payable to:	
Auditor of the Company	10,700
Auditor of an associate	5,600
Non-audit service fees paid and payable to auditor of the Company*	8,761
	25,061

* Such non-audit services include an agreed-upon procedures engagement in connection with the Group's interim financial report, procedures relating to offering circular for bond issuance and tax compliance services, etc.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITOR'S RESPONSIBILITY STATEMENTS

The Directors acknowledged responsibility for reviewing the accounts of the Company prepared by the Executive Directors for the year ended 31 December 2022 and ensuring the accounts are prepared in accordance with the HKFRSs. A statement by the auditor about their reporting responsibilities is contained in the Independent Auditor's Report.

The Board confirmed that it has taken the same view from that of the Audit Committee regarding the appointment of the external auditor.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has developed the Group's internal control, risk assessment and management systems and has overall responsibility for reviewing and maintaining adequate and effective risk management and internal control systems to safeguard the interests of the shareholders of the Company and the assets of the Group. The review covers all material controls, including financial, operational and compliance controls. It evaluates the effectiveness of the systems at least annually to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

Responsibilities of the Board for the Risk Management and Internal Control Systems

The Board understands that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems. The Board is also responsible for overseeing its risk management and internal control systems on an ongoing basis and reviewing the effectiveness of the risk management and internal control systems at least annually. The Board understands that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Main Features of the Risk Management and Internal Control Systems

The Board has adopted a bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas.

An ongoing risk management approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievements of its objectives.

The Group has established a risk management framework with three lines of defense. Each department and subsidiary of the Company form the front line of defense. They take up the responsibility of business risks control by integrating the risk management ideas and risk control measures into daily business operations. The middle line of defense was formed by the Company's management team, risk management task group and internal risk management department who organize and promote the implementation of risk management. The Board, the Audit Committee and Internal Audit Department form the back line of defense by overseeing the effectiveness of the risk management.

Process Used to Identify, Evaluate and Manage Significant Risks

After interviewing major process owners of each of our departments and our major subsidiaries, we have documented the risks, identified the risk owners and the risk control measures in the risk registers. We have also assessed the risks in accordance of the risk assessment criteria.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Process Used to Review the Effectiveness of the Risk Management and Internal Control Systems and to Resolve Material Internal Control Defects

The Internal Audit Department has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2022 and reported the review results to the Audit Committee.

The Board has supervised the management in the design, implementation and monitoring of the risk management and internal control systems and evaluated the effectiveness of the Group's and its subsidiaries' risk management and internal control systems during 2022. The review covers all material controls of the Group, including financial, operational and compliance controls. The Board's annual assessment of the effectiveness of the risk management and internal control systems ensures that the Group's accounting, internal audit and financial reporting functions in terms of the resources, staff qualifications and experience, as well as the training programmes received by staff and budgets, are adequate.

The Board considers the risk management and internal control systems of the Group of the reporting year are effective and adequate.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Board has already established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and waiver to the disclosure of inside information, and also compliance and reporting procedures. Every Senior Management must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Chief Financial Officer, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding recurrence.

COMPANY SECRETARY

The Executive Director, Mr. TAM Chun Fai, has been the Company Secretary of the Company since 1997. During the year 2022, Mr. Tam took no less than 15 hours of relevant professional training as required by Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To Convene an Extraordinary General Meeting ("EGM") by Shareholders

Pursuant to Section 566 of the Companies Ordinance, Shareholder(s) holding at least 5% of the total voting rights of all the Shareholders having a right to vote at EGMs can submit a written requisition to convene an EGM.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(Continued)*

To Convene an Extraordinary General Meeting ("EGM") by Shareholders *(Continued)*

The written requisition:

1. must state the general nature of the business to be dealt with at the meeting;
2. may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;
3. may consist of several documents in like form;
4. may be sent to the Company in hard copy form or in electronic form; and
5. must be authenticated by the person or persons making it.

If Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of 3 months from the said date.

To Make Enquiries to the Board

1. Shareholders should direct their questions about their shareholdings to the Company's share registrar.
2. Enquiries made to the Board may be deposited at the Company's registered office for the attention of the company secretary.

To Put forward Proposals at an AGM

Shareholder(s) can submit a written requisition to move a resolution at an AGM pursuant to Section 615 of the Companies Ordinance if they:

1. represent at least 2.5% of the total voting rights of all the Shareholders who have a right to vote on the resolution at the AGM to which the requests relate; or
2. represent at least 50 Shareholders who have a right to vote on the resolution at the AGM to which the requests relate.

The written requisition:

1. may be sent to the Company in hard copy form or in electronic form;
2. must identify the resolution of which notice is to be given;
3. must be authenticated by the person or persons making it; and
4. must be received by the Company not later than:
 - (i) 6 weeks before the AGM to which the requests relate; or
 - (ii) if later, the time at which notice is given of that meeting.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(Continued)*

Circulating a Statement at an AGM or at a General Meeting

Shareholder(s) can pursuant to Section 580 of the Companies Ordinance request the Company to circulate to Shareholders entitled to receive notice of a general meeting, a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution to be dealt with at that meeting or other business to be dealt with at that meeting, if such Shareholder(s): –

1. represent at least 2.5% of the total voting rights of all Shareholders who have a relevant right to vote; or
2. at least 50 Shareholders who have a relevant right to vote.

The request –

1. may be sent in hard copy form or in electronic form to the Company's registered office;
2. must identify the statement to be circulated;
3. must be authenticated by the person or persons making it; and
4. must be received by the Company at least 7 days before the meeting to which it relates.

To Propose a Person other than a Director for Election as a Director at any General Meeting

Pursuant to article 111 of the Articles of Association, if a Shareholder wishes to propose a person, other than a retiring Director or a person recommended by the Directors, for election as a Director at a general meeting, such Shareholder, who is duly qualified to attend and vote at such general meeting, should lodge a written and signed notice of nomination and a notice signed by the person to be proposed of his willingness to be elected at the Company's registered office or at the Company's share registrar. The notices should be given within the period commencing on the day after dispatch of the notice of the general meeting appointed for such election and ending no later than 7 days prior to the date of such general meeting and such period shall be at least 7 days.

DIVERSITY

With a strong emphasis on staff diversity at workplace, the Company strictly prohibits discrimination or harassment in relation to factors such as gender, religion, age or disability in the management process of recruitment, remuneration, training and promotion and ensures the absence of any gender-based differentiated treatment, as it seeks to enhance its management standard in staff diversity and foster an equal and friendly workplace. As at 31 December 2022, the Group had a staff gender ratio of 71.88% male and 28.12% female (including Directors, Senior Management and other staff).

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Board places a strong emphasis on effective and appropriate communication with Shareholders and is of the view that the timely disclosure of corporate information is very important for Shareholders and investors when they make investment decisions. The Company has adopted a shareholder communication policy that aims to ensure all Shareholders of the Company to obtain in a timely manner Company information that is comprehensive, identical and easily comprehensible, such that Shareholders are able to exercise their rights in an informed manner and communication between Shareholders and investors and the Company could be enhanced. The Company has conducted review on the implementation and effectiveness of its shareholder communication policy and, taking into account its existing multiple channels for shareholder communication and participation, is of the view that the policy has been implemented in an appropriate and effective manner during the year.

The Company disseminates information on the Group to Shareholders via numerous official channels, including the interim and annual reports, announcements and circulars published in accordance with the Listing Rules. Such published documents as well as latest corporate information are also available for inspection on the Company's website (www.behl.com.hk).

During the year, the Company also responded to the requests and enquiries of members of the investing community such as Shareholders, analysts and the media via results announcements, presentations, roadshows, emails and phone calls.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, there was no significant change in the Company's constitutional documents.

DIVIDEND POLICY

The Company aims at providing stable and sustainable returns to Shareholders and is committed to gradually improving Shareholders returns to the industry average. In deciding whether to propose a dividend and in determining an appropriate basis and method for dividend distribution, the Board will take into account, inter alia, the reasonable return in investment of the investors and the Shareholders, the actual and expected financial conditions, business plans, future operations and earnings, capital requirements and expenditure plans of the Company, any restrictions on payment of dividends that may be imposed by the Company's lenders, the general market sentiment and circumstances and any other factors the Board deems appropriate. Any dividend declared by the Company shall not exceed the amount proposed by the Board.

INDEPENDENT AUDITOR'S REPORT



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To the members of Beijing Enterprises Holdings Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Enterprises Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 56 to 194, which comprise the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

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 2022, 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 (the “HKICPA”) and have been properly prepared in compliance with 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.

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.

INDEPENDENT AUDITOR'S REPORT



KEY AUDIT MATTERS *(Continued)*

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of goodwill

At 31 December 2022, the goodwill carried in the Group's financial statements was approximately HK\$16.3 billion.

Management is required to perform a test on goodwill for impairment at least on an annual basis. This test is largely based on management expectations, assumptions and estimates of future results of the cash-generating units to which the goodwill has been allocated. The assumptions are affected by expectations of future market or economic conditions. The impairment test is based on the comparison between the recoverable amounts of the relevant cash-generating units, and their respective carrying amounts. Management engaged an independent external valuer to assist with the impairment assessment.

Given the complexity and judgmental nature of the impairment assessment, this is identified as a key audit matter.

The related disclosures are included in notes 2.4, 3 and 17 to the consolidated financial statements.

We considered the competency, capabilities and objectivity of the independent external valuer engaged by the management and involved our internal valuation specialists to assist us in evaluating the methodology and key assumptions adopted in the impairment assessment. We evaluated management expectations, assumptions and estimates of future results of the cash-generating units used in the valuation models by (i) testing the assumptions used in the cash flow forecasts; (ii) comparing the historical forecast with actual results; and (iii) obtaining corroborative evidence to support the growth assumptions. We carried out audit procedures on management's sensitivity calculations. We also assessed the adequacy of the disclosures for the impairment testing in the consolidated financial statements, specifically the key assumptions with the most significant effect on the determination of the recoverable amounts, such as the discount rates and growth rates.

Estimation in revenue recognition in relation to piped gas operation

The recognition of revenue generated from piped gas operation depends on (i) the estimated volume of gas sold during the period between the date of the last meter reading and the year end; and (ii) the estimated volume of gas sold from the prepaid meters.

Judgements are involved to determine the unread volume of gas sold to measure revenue. The Group's accrued revenue is estimated based on the billed volume from the latest meter reading period and the prepaid revenue is estimated based on the advance from customers, adjusted by the location and nature of customers.

Related disclosures are included in notes 2.4 and 3 to the consolidated financial statements.

We understood, evaluated and tested the key controls of the Group in respect of revenue recognition for the sale of piped natural gas.

We evaluated management's estimation by comparing the subsequent actual bills with estimated revenue. We also performed substantive testing on the source data and reviewed the calculation of accrued revenue.

In addition, we performed analytical review on the overall financial performance, including monthly sales analysis by type of customers, gross profit margin analysis and recoverability analysis. We obtained explanations for material differences from our expectation formed with reference to growth of customer base and seasonal factors of current year.

INDEPENDENT AUDITOR'S REPORT



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.

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 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 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT AUDITOR'S REPORT



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

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.

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.

INDEPENDENT AUDITOR'S REPORT



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

- 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.

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 CHENG Man.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000 (Restated)
REVENUE	5	92,296,553	80,521,838
Cost of sales		(80,007,875)	(68,191,138)
Gross profit		12,288,678	12,330,700
Gain on deemed disposal of partial interests in associates, net	22(a)	–	1,627,382
Other income and gains, net	6	2,479,698	2,085,270
Selling and distribution expenses		(2,246,171)	(2,273,969)
Administrative expenses		(6,560,019)	(6,304,993)
Other operating expenses, net		(437,172)	(338,767)
Finance costs	7	(2,071,957)	(1,794,397)
Share of profits and losses of:			
Joint ventures		29,799	(10,081)
Associates	22(b), (c)	5,874,363	6,312,542
PROFIT BEFORE TAX	8	9,357,219	11,633,687
Income tax	11	(1,093,198)	(1,115,056)
PROFIT FOR THE YEAR		8,264,021	10,518,631
ATTRIBUTABLE TO:			
Shareholders of the Company		7,572,651	9,918,640
Non-controlling interests		691,370	599,991
		8,264,021	10,518,631
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted	13	HK\$6.00	HK\$7.86

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
PROFIT FOR THE YEAR		8,264,021	10,518,631
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(7,871,336)	2,285,461
Share of other comprehensive income/(loss) of associates		(3,670,318)	1,156,033
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		(11,541,654)	3,441,494
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>			
Defined benefit obligations:			
Actuarial gain/(loss), net	36(b)	571,034	(104,403)
Income tax effect	39	(164,374)	20,901
		406,660	(83,502)
Equity investments at fair value through other comprehensive income:			
Changes in fair value		(247,899)	(453,369)
Income tax effect	39	(27,897)	119,554
		(275,796)	(333,815)
Share of other comprehensive loss of associates		(187,145)	(94,718)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		(56,281)	(512,035)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		(11,597,935)	2,929,459
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(3,333,914)	13,448,090
ATTRIBUTABLE TO:			
Shareholders of the Company		(3,131,615)	12,554,632
Non-controlling interests		(202,299)	893,458
		(3,333,914)	13,448,090

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	14	63,791,450	60,634,700
Investment properties	15	1,344,330	1,213,849
Right-of-use assets	16(b)	2,296,432	2,470,636
Goodwill	17	16,254,813	16,253,581
Operating concessions	18	5,702,340	5,297,244
Other intangible assets	19	2,890,378	3,183,885
Investments in joint ventures	21	252,153	333,274
Investments in associates	22	64,365,327	66,452,026
Equity investments at fair value through other comprehensive income	23	2,253,564	2,802,836
Financial asset at fair value through profit or loss	24	–	2,523,115
Receivables under service concession arrangements	18	3,363,763	3,365,226
Receivable under a finance lease	16(a)	426,728	556,361
Prepayments, other receivables and other assets	27	4,707,917	2,823,303
Deferred tax assets	39	1,784,822	2,102,515
Total non-current assets		169,434,017	170,012,551
Current assets:			
Inventories	25	5,680,631	6,218,945
Receivables under service concession arrangements	18	137,412	121,046
Receivable under a finance lease	16(a)	100,011	98,516
Trade receivables	26	5,561,634	6,659,686
Prepayments, other receivables and other assets	27	7,723,886	5,837,534
Other tax recoverables		446,764	599,016
Restricted cash and pledged deposits	29	171,940	35,958
Cash and cash equivalents	30	31,347,261	33,238,799
Assets of disposal groups classified as held for sale	44	51,169,539 467,811	52,809,500 –
Total current assets		51,637,350	52,809,500
TOTAL ASSETS		221,071,367	222,822,051

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	31	30,401,883	30,401,883
Reserves	33(a)	59,518,082	65,575,827
		89,919,965	95,977,710
Non-controlling interests		13,118,732	13,089,259
TOTAL EQUITY		103,038,697	109,066,969
Non-current liabilities:			
Bank and other borrowings	34	31,409,002	27,797,718
Guaranteed bonds and notes	35	21,368,996	17,854,936
Lease liabilities	16(b)	483,773	592,163
Defined benefit obligations	36(b)	2,245,758	2,857,692
Provision for major overhauls and onerous contracts	37	257,907	375,908
Other non-current liabilities	38	2,134,779	1,974,292
Deferred tax liabilities	39	2,376,864	2,497,220
Total non-current liabilities		60,277,079	53,949,929

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Current liabilities:			
Trade and bills payables	40	5,549,248	4,326,135
Other payables, accruals and contract liabilities	41	25,431,171	27,070,190
Provision for major overhauls and onerous contracts	37	47,426	50,093
Income tax payables		1,025,808	1,249,468
Other tax payables		448,837	390,504
Bank and other borrowings	34	24,613,662	9,179,370
Guaranteed bonds and notes	35	–	17,173,276
Lease liabilities	16(b)	362,009	366,117
		57,478,161	59,805,153
Liabilities directly associated with the assets of disposal groups classified as held for sale	44	277,430	–
Total current liabilities		57,755,591	59,805,153
TOTAL LIABILITIES		118,032,670	113,755,082
TOTAL EQUITY AND LIABILITIES		221,071,367	222,822,051

Dai Xiaofeng
Director

Tam Chun Fai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

Notes	Attributable to shareholders of the Company								Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Investment revaluation reserve	Property revaluation reserve	Defined benefit plan reserve	Exchange fluctuation reserve	PRC reserve funds and other reserves	Retained profits			
	HK\$'000	HK\$'000 (note 33(b))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note 33(c))	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	30,401,883	1,737,239	72,534	84,051	(239,455)	1,261,767	13,461,249	38,117,838	84,897,106	12,528,616	97,425,722
Profit for the year	-	-	-	-	-	-	-	9,918,640	9,918,640	599,991	10,518,631
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	-	1,989,390	-	-	1,989,390	296,071	2,285,461
Defined benefit obligations:											
Actuarial loss, net	36(b)	-	-	-	(105,896)	-	-	-	(105,896)	1,493	(104,403)
Income tax effect	39	-	-	-	21,267	-	-	-	21,267	(366)	20,901
Equity investments at fair value through other comprehensive income:											
Changes in fair value	-	-	(449,638)	-	-	-	-	-	(449,638)	(3,731)	(453,369)
Income tax effect	39	-	119,554	-	-	-	-	-	119,554	-	119,554
Share of other comprehensive income/(loss) of associates	-	-	(96,914)	-	2,196	1,156,033	-	-	1,061,315	-	1,061,315
Total comprehensive income/(loss) for the year	-	-	(426,998)	-	(82,433)	3,145,423	-	9,918,640	12,554,632	893,458	13,448,090
Capital contributions from non-controlling equity holders of subsidiaries	-	13,819	-	-	-	-	-	-	13,819	28,699	42,518
Share of reserves of associates	-	(49,107)	-	-	-	-	-	-	(49,107)	-	(49,107)
Final 2020 dividend	-	-	-	-	-	-	-	(933,919)	(933,919)	-	(933,919)
Interim 2021 dividend	12	-	-	-	-	-	-	(504,821)	(504,821)	-	(504,821)
Dividends paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	(361,514)	(361,514)
Transfer to PRC reserve funds	-	-	-	-	-	-	1,322,093	(1,322,093)	-	-	-
At 31 December 2021 and 1 January 2022	30,401,883	1,701,951*	(354,464)*	84,051*	(321,888)*	4,407,190*	14,783,342*	45,275,645*	95,977,710	13,089,259	109,066,969
Profit for the year	-	-	-	-	-	-	-	7,572,651	7,572,651	691,370	8,264,021
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(6,973,172)	-	-	(6,973,172)	(898,164)	(7,871,336)
Defined benefit obligations:											
Actuarial gain, net	36(b)	-	-	-	565,098	-	-	-	565,098	5,936	571,034
Income tax effect	39	-	-	-	(162,933)	-	-	-	(162,933)	(1,441)	(164,374)
Equity investments at fair value through other comprehensive income:											
Changes in fair value	-	-	(247,899)	-	-	-	-	-	(247,899)	-	(247,899)
Income tax effect	39	-	(27,897)	-	-	-	-	-	(27,897)	-	(27,897)
Share of other comprehensive loss of associates	-	-	(185,170)	-	(1,975)	(3,670,318)	-	-	(3,857,463)	-	(3,857,463)
Total comprehensive income/(loss) for the year	-	-	(460,966)	-	400,190	(10,643,490)	-	7,572,651	(3,131,615)	(202,299)	(3,333,914)
Repurchase of the Company's shares	31	-	-	-	-	-	-	(45,362)	(45,362)	-	(45,362)
Acquisition of subsidiaries	43	-	-	-	-	-	-	-	-	549,417	549,417
Acquisition of non-controlling interests with a deficit balance	-	(87,978)	-	-	-	-	-	-	(87,978)	87,978	-
Share of reserves of associates	-	(1,089,418)	-	-	-	-	-	-	(1,089,418)	-	(1,089,418)
Final 2021 dividend	12	-	-	-	-	-	-	(1,072,745)	(1,072,745)	-	(1,072,745)
Interim 2022 dividend	12	-	-	-	-	-	-	(630,627)	(630,627)	-	(630,627)
Dividends paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	(405,623)	(405,623)
Transfer to PRC reserve funds and other reserves	-	-	-	-	-	-	3,656,687	(3,656,687)	-	-	-
At 31 December 2022	30,401,883	524,555*	(815,430)*	84,051*	78,302*	(6,236,300)*	18,440,029*	47,442,875*	89,919,965	13,118,732	103,038,697

* These reserve accounts comprise the consolidated reserves of HK\$59,518,082,000 (2021: HK\$65,575,827,000) in the consolidated statement of financial position as at 31 December 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		9,357,219	11,633,687
Adjustments for:			
Bank interest income	6	(687,614)	(676,942)
Finance income on the net investment in a finance lease	6	(40,805)	(53,293)
Transfer of assets from customers	6	(46,429)	(64,313)
Gain on deemed disposal of partial interests in associates, net	22(a)	–	(1,627,382)
Dividend income of an equity investment at fair value through other comprehensive income	6	(37,769)	(81,154)
Investment income of a financial asset at fair value through profit or loss	6	(286,762)	(154,549)
Gain on disposal of items of property, plant and equipment, net	6	(32,534)	(4,954)
Gain on remeasurement of the pre-existing interest in an associate to acquisition-date fair value	6	(203,999)	–
Finance costs	7	2,071,957	1,794,397
Depreciation of property, plant and equipment	8	3,837,104	4,454,313
Depreciation of right-of-use assets	8	397,149	344,184
Amortisation of operating concessions	8	243,647	212,658
Amortisation of other intangible assets	8	222,806	249,484
Impairment of property, plant and equipment	8	76,379	–
Impairment of goodwill	8	107,981	–
Impairment of operating concessions	8	85,389	115,585
Impairment of other intangible assets	8	–	6,289
Impairment of trade receivables, net	8	56,676	93,441
Impairment of other receivables, net	8	17,396	22,305
Loss on early termination of leases	8	5,588	2,049
Write-down of inventories to net realisable value	8	31,951	38,707
Share of profits and losses of joint ventures and associates		(5,904,162)	(6,302,461)
		9,271,168	10,002,051

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES <i>(Continued)</i>		
Increase in inventories	(34,986)	(997,449)
Increase in receivables under service concession arrangements	(258,479)	(329,910)
Decrease in trade receivables	710,306	108,493
Increase in prepayments, other receivables and other assets	(1,905,550)	(1,673,462)
Decrease/(increase) in other tax recoverables	115,823	(58,691)
Increase/(decrease) in trade and bills payables	1,500,376	(462,799)
Increase/(decrease) in other payables, accruals and contract liabilities	(2,099,556)	2,137,898
Increase in other tax payables	128,522	21,525
Decrease in provision for major overhauls and onerous contracts	(96,873)	(11,767)
Increase in defined benefit obligations	143,547	384,379
Increase in other non-current liabilities	74,414	20,594
Cash generated from operations	7,548,712	9,140,862
Finance income on the net investment in a finance lease received	40,805	53,293
Mainland China income tax paid	(1,015,759)	(862,553)
Overseas income tax paid	(401,686)	(78,538)
Net cash flows from operating activities	6,172,072	8,253,064

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(12,160,776)	(10,038,696)
Proceeds from disposal of items of property, plant and equipment		389,903	443,554
Receipt of assets-related governments grants		1,231,188	1,295,068
Additions to operating concessions		(1,168,939)	(1,244,526)
Additions to other intangible assets		(94,103)	(221,157)
Proceeds from disposal of items of other intangible assets		50,857	–
Acquisition of subsidiaries	43	54,062	–
Additional investments in associates		(1,196,481)	(151,311)
Decrease/(increase) in time deposits with maturity of more than three months when acquired		(3,803,672)	(1,466,359)
Decrease/(increase) in restricted cash and pledged deposits		(125,585)	1,687
Proceeds from disposal of a financial asset at fair value through profit or loss		2,353,405	–
Dividends received from associates		3,724,947	4,075,609
Dividend income of an equity investment at fair value through other comprehensive income received		37,769	81,154
Investment income of a financial asset at fair value through profit or loss received		286,762	154,549
Bank interest income received		687,614	676,942
Net cash flows used in investing activities		(9,733,049)	(6,393,486)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from non-controlling equity holders of subsidiaries		–	42,518
Proceeds from issue of guaranteed bonds and notes, net of issuance costs	45(b)	3,914,232	8,962,971
Repayment of guaranteed bonds and notes	45(b)	(16,748,541)	(4,644,000)
New loans	45(b)	36,340,966	20,348,342
Repayment of loans	45(b)	(18,525,954)	(20,594,975)
Principal portion of lease payments	45(b)	(422,711)	(414,754)
Interest portion of lease payments	45(b)	(42,669)	(46,047)
Other interest paid		(2,029,103)	(1,688,749)
Repurchases of the Company's shares		(45,362)	–
Dividends paid		(1,703,372)	(1,438,740)
Dividends paid to non-controlling equity holders of subsidiaries		(405,623)	(361,514)
Net cash flows from financing activities		331,863	165,052

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(3,229,114)	2,024,630
Cash and cash equivalents at beginning of year		31,610,666	28,981,962
Effect of foreign exchange rate changes, net		(2,227,613)	604,074
CASH AND CASH EQUIVALENTS AT END OF YEAR		26,153,939	31,610,666
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	30	22,212,138	21,587,059
Saving deposits placed in a financial institution (an associate of the Group)	30	705,454	362,944
Time deposits:			
Placed in banks	30	7,290,477	9,618,653
Placed in a financial institution (an associate of the Group)	30	1,311,132	1,706,101
Less: Restricted cash and pledged deposits	30	(171,940)	(35,958)
Cash and cash equivalents as stated in the consolidated statement of financial position		31,347,261	33,238,799
Less: Time deposits with maturity of more than three months when acquired		(5,234,349)	(1,628,133)
Add: Cash and bank balances attributable to disposal groups	44	41,027	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		26,153,939	31,610,666

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION

Beijing Enterprises Holdings Limited (the “Company”) is a limited liability company incorporated in Hong Kong and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The registered office and the principal place of business of the Company is located at 66/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

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

- the distribution and sale of piped natural gas and gas-related equipment, the provision of natural gas transmission, the surveying and plotting of underground construction projects, the installation of gas pipelines and related equipment and the provision of related repair and maintenance services in the mainland (“Mainland China”) of the People’s Republic of China (the “PRC”) and the trading of liquefied natural gas (“LNG”) and production and sale of oil and gas in certain overseas countries
- the construction of sewage and reclaimed water treatment plants and other infrastructural facilities, the provision of construction services for comprehensive renovation projects, sewage treatment, reclaimed water treatment and distribution, and the provision of consultancy services and the licensing of technical know-how that is related to sewage treatment in Mainland China and certain overseas countries, and provision of environmental hygiene services and hazardous waste treatment services in Mainland China
- the provision of waste incineration plant construction and waste treatment services, and the sale of electricity, steam and heat generated from waste incineration in Germany and Mainland China
- the production, distribution and sale of brewery products in Mainland China
- property investment in Mainland China and Hong Kong

Since the acquisition of Beijing Gas Blue Sky Holdings Limited (“Blue Sky”) on 30 December 2022 as further explained in note 43, the Group has also been engaged in the business of direct LNG supply to industrial end users, trading and distribution of compressed natural gas (“CNG”) and operation of CNG and LNG refueling stations for vehicles in Mainland China.

The immediate holding company of the Company is Beijing Enterprises Group (BVI) Company Limited (“BE Group BVI”), which is incorporated in the British Virgin Islands and, in the opinion of the directors, the ultimate holding company is 北京控股集團有限公司 (“Beijing Enterprises Group”), which is a state-owned enterprise established in the PRC and wholly owned by The State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality (the “Beijing Municipal Government”).

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about principal subsidiaries

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

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Gas Group Company Limited ("Beijing Gas") [#]	PRC/ Mainland China	Renminbi ("RMB") 5,883,767,802	–	100	Distribution and sale of piped gas and gas- related equipment
唐山市天然氣有限公司 ^μ	PRC/ Mainland China	RMB650,000,000	–	60	Distribution and sale of piped gas
北京燃氣平谷有限公司 ^μ	PRC/ Mainland China	RMB539,326,100	–	98.95	Distribution and sale of piped gas
北京燃氣懷柔有限公司 ^μ	PRC/ Mainland China	RMB323,280,000	–	99.54	Distribution and sale of piped gas
Beijing Gas Blue Sky Holdings Limited [□]	Bermuda	HK\$1,250,486,000	–	66.37	Distribution and sale of piped gas and gas- related equipment, direct LNG supply to industrial end users, trading and distribution of CNG and LNG and operation of CNG and LNG refueling stations for vehicle
Beijing Gas Singapore Private Limited	Singapore	United States dollars ("US\$") 830,550,000	–	100	Trading of LNG
北京燕京啤酒投資有限公司 ("Yanjing Investment") ^Δ	PRC/ Mainland China	RMB3,409,828,000	–	79.77	Investment holding
Beijing Yanjing Brewery Company Limited ("Yanjing Brewery") ^μ	PRC/ Mainland China	RMB2,818,539,341	–	45.79 [†]	Production and sale of beer
Fujian Yanjing Huiquan Brewery Co., Ltd. ("Yanjing Huiquan") ^μ	PRC/ Mainland China	RMB250,000,000	–	22.93 [†]	Production and sale of beer
燕京啤酒(包頭雪鹿)股份有限公司 ^μ	PRC/ Mainland China	RMB547,303,240	–	42.32 [†]	Production and sale of beer
燕京啤酒(桂林漓泉)股份有限公司 ^μ	PRC/ Mainland China	RMB349,366,900	–	34.69 [†]	Production and sale of beer
燕京啤酒(赤峰)有限責任公司 ^μ	PRC/ Mainland China	RMB577,120,000	–	43.16 [†]	Production and sale of beer
新疆燕京啤酒有限公司 ^μ	PRC/ Mainland China	RMB683,650,000	–	45.79 [†]	Production and sale of beer
燕京啤酒(衡陽)有限公司 ^μ	PRC/ Mainland China	RMB525,660,000	–	44.80 [†]	Production and sale of beer
四川燕京啤酒有限公司 ^μ	PRC/ Mainland China	RMB480,000,000	–	45.79 [†]	Production and sale of beer
廣東燕京啤酒有限公司 ^μ	PRC/ Mainland China	RMB809,882,100	–	58.23	Production and sale of beer
Beijing Enterprises Environment Group Limited ("BEEGL") [□]	Hong Kong	HK\$2,227,563,951	1.16	49.23	Investment holding
西咸新區北控環保科技發展有限公司 ^μ	PRC/ Mainland China	RMB349,590,000	–	65	Solid waste treatment operation
北京北控綠海能環保有限公司 ^Δ	PRC/ Mainland China	RMB308,340,000	–	49.89 [†]	Solid waste treatment operation
北京高安屯垃圾焚燒有限公司 ^Δ	PRC/ Mainland China	RMB274,000,000	–	42.78 [†]	Solid waste treatment operation

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about principal subsidiaries *(Continued)*

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
北控環境再生能源(張家港)有限公司 [#]	PRC/ Mainland China	RMB548,121,279	–	50.39 [†]	Solid waste treatment operation
哈爾濱市雙琦環保資源利用有限公司 ^μ	PRC/ Mainland China	RMB240,000,000	–	40.31 [†]	Solid waste treatment operation
EEW Holding GmbH (“EEW”)	Germany	EURO (“EUR”) 76,996,700	–	100	Investment holding
EEW Energy from Waste Saarbrücken GmbH	Germany	EUR20,452,000	–	100	Solid waste treatment operation
EEW Energy from Waste Helmstedt GmbH	Germany	EUR1,000,000	–	100	Solid waste treatment operation
EEW Energy from Waste GmbH	Germany	EUR1,000,000	–	100	Issuer of guaranteed bonds
Talent Yield (Euro) Limited	British Virgin Islands	US\$1	–	100	Issuer of guaranteed bonds
Top Luxury Investment Limited	British Virgin Islands	US\$1	–	100	Issuer of guaranteed bonds
Talent Yield European Limited	British Virgin Islands	US\$1	–	100	Issuer of guaranteed bonds
Mega Advance Investments Limited	British Virgin Islands	US\$1	–	100	Issuer of guaranteed notes
Talent Yield International Limited	British Virgin Islands	US\$1	–	100	Issuer of guaranteed bonds
Talent Yield Investments Limited	British Virgin Islands	US\$1	–	100	Issuer of guaranteed notes
Beijing Gas Singapore Capital Corporation	British Virgin Islands	US\$10	–	100	Issuer of guaranteed notes

[#] This entity is registered as a wholly-foreign-owned entity under PRC law.

^μ These entities are registered as limited liability companies under PRC law.

[&] These entities are registered as Sino-foreign joint ventures under PRC law.

[†] These entities are accounted for as subsidiaries by virtue of the Company's control over them through non-wholly-owned subsidiaries.

^{*} Shares of Yanjing Brewery are listed on the Shenzhen Stock Exchange.

[^] Shares of Yanjing Huiquan are listed on the Shanghai Stock Exchange.

^Ω Shares of Blue Sky and BEEGL are listed on the Main Board of the Hong Kong Stock Exchange.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about principal subsidiaries *(Continued)*

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.

2.1 BASIS OF PRESENTATION AND PREPARATION

Basis of presentation

Despite that the Group had net current liabilities of approximately HK\$6.1 billion and capital commitments of approximately HK\$11.7 billion as at 31 December 2022, the directors of the Company consider that the Group will have adequate funds available to enable it to operate as a going concern after taking into account, inter alia, the historical operating performance of the Group and the following:

- (a) the Company issued medium-term notes in a total principal amount of RMB4 billion to qualified investors in the PRC on 23 March 2023 (note 51); and
- (b) listed investments of the Group could be realised immediately for funds to enable the Group to meet its liabilities as and when they fall due.

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.

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for (i) investment properties, equity and fund investments which have been measured at fair value; and (ii) disposal groups held for sale which are stated at the lower of their carrying amounts and fair values less costs to sell, as further explained in note 2.4 to the financial statements. These financial statements are presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.1 BASIS OF PRESENTATION AND PREPARATION *(Continued)*

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 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022. The amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting standards*, HKFRS 9 *Financial Instruments*, Illustrative Examples accompanying HKFRS 16 *Leases*, and HKAS 41 *Agriculture*. Details of the amendments that are applicable to the Group are as follows:

HKFRS 9: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements:

Amendments to HKFRS 10, and HKAS 28 (2011)	<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> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, 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 a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 Insurance Contracts was amended to extend the temporary exemption that permits insurers to apply HKAS 39 Financial Instruments: Recognition and Measurement rather than HKFRS 9 for annual periods beginning before 1 January 2023

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

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

- (a) Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 *Consolidated Financial Statements* and in HKAS 28 (2011) *Investments in Associates and Joint Ventures* 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 between an investor and its associate or joint venture 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 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.
- (b) 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.
- (c) Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to 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. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

- (d) Amendments to HKAS 1 *Disclosure of Accounting Policies* 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.
- (e) 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. The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- (f) Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 *Income Taxes* 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. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures and associates

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.

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 is in a position to exercise 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.

The Group's investments in joint ventures and associates 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 joint ventures and associates is included in profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture or associate, 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 joint ventures or associates are eliminated to the extent of the Group's investments in the joint ventures or associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures or associates is included as part of the Group's investments in joint ventures or associates.

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 joint control over the joint venture or significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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
- (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 a holding company of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its investment properties, equity and fund investments 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 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation 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.

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 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 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 net 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 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 31 December. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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 value of the operation disposed of and the portion of the cash-generating unit retained.

Disposal groups held for sale

Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such disposal group and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets included in the disposal groups classified as held for sale are not depreciated or amortised.

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. When an item of property, plant and equipment is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, as further explained in the accounting policy for “Disposal groups held for sale”.

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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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:

Buildings	10 to 50 years
Leasehold improvements	Over the lease terms or 5 to 10 years, whichever is the shorter
Gas pipelines	Over the shorter of 25 years or operation period of the relevant entity
Gas meters	8 years
Other plant and machinery	5 to 20 years
Furniture, fixtures and office equipment	5 to 12 years
Motor vehicles	3 to 15 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 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.

Construction in progress represents gas pipelines, buildings, structures, plant and machinery and other property, plant and equipment under construction or installation, construction materials (which include materials for construction projects and equipment that needs to be installed) and prepayments for large-scale equipment. Construction in progress is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises the direct costs of construction, installation and testing as well as capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

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

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.

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 the straight-line basis over the lease terms and is included in other income in 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 or other income 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 asset held under a finance lease is capitalised at the present value of the lease payments and related payments (including initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease, which is measured using the interest rate implicit in the lease. Subsequent to initial measurement, finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease.

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.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(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 accumulated depreciation and any accumulated 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 the straight-line basis over the following depreciation periods, which are the shorter of the lease terms and the estimated useful lives of the assets:

Leasehold land	5 to 50 years
Office premises and staff quarters	2 to 47 years
Plant and machinery	3 to 20 years
Motor vehicles	6 years

If ownership of the leased asset is transferred 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.

(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 the interest rate implicit in the lease or, where that rate cannot be readily determined, the Group uses its incremental borrowing rate at the lease commencement date. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of 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). It also applies the recognition exemption for leases of low-value assets that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on the straight-line basis over the lease term.

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 if 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 the specified quality of efficiency requirements. The financial asset (receivable under a service concession arrangement) is accounted for in accordance with the policy set out for “Investments and other financial assets” below.

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, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements *(Continued)*

Construction or upgrade services

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

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for solid waste treatment service contracts under “Revenue recognition – Revenue from contracts with customers” below. Costs relating to operating services are expensed in the period in which they are incurred.

Contractual obligations to restore the infrastructures 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 infrastructures it operates to a specified level of serviceability and/or (b) to restore the infrastructures 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 infrastructures, except for any 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 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.

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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Operating concessions

Operating concessions mainly represent the rights to operate solid waste incineration plants, and 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 15 to 30 years.

Customer contracts

Customer contracts represent the fair value of the economic benefits from several customer service agreements of the environmental operation at initial recognition. Amortisation is provided on the straight-line basis over the respective contract periods of 1 to 28 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 25 to 30 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 its estimated useful life of 2 to 10 years.

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, deferred tax assets, financial assets, inventories and a disposal group classified as held for sale), 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 ("CGU") 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 headquarter 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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.

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 an 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 years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

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, or 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 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenue recognition – Revenue from contracts with customers" below.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement (Continued)

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

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

Subsequent measurement

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

(a) **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 profit or loss when the asset is derecognised, modified or impaired.

(b) **Financial assets 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 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 profit or loss. Dividends are recognised as other income in profit or loss when the right of 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, 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 at fair value through other comprehensive income are not subject to impairment assessment.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement (Continued)

(c) Financial assets at fair value through profit or loss

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

This category includes derivative instruments and fund investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Investment income on fund investments classified as financial assets at fair value through profit or loss is also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the investment income will flow to the Group and the amount of the investment income can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Impairment

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.

(a) 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).

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Impairment *(Continued)*

(a) General approach *(Continued)*

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 more than 30 days past due.

The Group considers a financial asset to be in default when contractual payments are past due, in general, over 2 to 3 years. The Group has rebutted the 90 days past due presumption of default based on historical pattern and credit risk management practices of the Group. As some of the customers of the Group are enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities affiliates or other organisations, and there was no history of default in prior years, the directors of the Company considered that the default rate is minimal. However, in certain cases, 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 except for trade receivables, contract assets and lease receivables which apply the simplified approach 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 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Impairment (Continued)

(b) Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Derecognition

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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are all classified, at initial recognition, as financial liabilities at amortised cost, which are recognised initially at fair value and net of directly attributable transaction costs.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in 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.

Derecognition

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 profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis or the weighted average basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks and financial institutions, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT 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 in finance costs in profit or loss.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

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.

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
- in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, 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 2022

2.4 SUMMARY OF SIGNIFICANT 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
- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, 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 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

Governments grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with.

Where a 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 a grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or is deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation 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 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

(a) Gas operation

Revenue from the sale of piped natural gas is recognised at the point in time when the gas is consumed by the customer, based on gas consumption derived from meter readings.

Revenue from the sale of gas-related equipment is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the gas-related equipment.

Revenue from the trading of LNG is recognised at the point in time when control of the goods is transferred to the customers, based on agreed shipping terms.

(b) Sale of brewery products

Revenue from the sale of brewery products is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the brewery products.

(c) Construction services

Contract revenue comprises (i) the agreed contract amounts and appropriate amounts from variation orders, claims and incentive payments in respect of construction services; and (ii) construction revenue recognised under service concession arrangements. Revenue from the construction of solid waste incineration plants under the terms of service concession arrangements 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 in a similar location.

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration 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. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

(d) Solid waste treatment service contracts

Revenue from the sale of electricity, steam and heat which are produced during the solid waste incineration process is recognised at the point in time when the product is transferred to the customer, generally on delivery of electricity, steam and heat.

Revenue from the solid waste collection service is recognised at the point in time when the service has been rendered.

Revenue from other source

(a) Rental income

Rental income is recognised on the straight-line basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

(a) Interest 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.

(b) Dividend and investment income

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, 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 under the policy set out for "Investments and other financial assets – Impairment" above.

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).

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Share-based payments

BEEGL, a subsidiary of the Group, operated a share option scheme, which had a term of 10 years and had expired on 30 June 2021 for the granting of non-transferable options, for the purpose of providing incentives and rewards, to eligible participants who contribute to the success of the operations of BEEGL and its subsidiaries (the “BEEGL Group”). Employees (including directors of BEEGL) of the BEEGL 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 for grants is measured by reference to the fair value at the date at which they are granted. The fair value of share options granted by BEEGL is determined by external valuers using the Black-Scholes-Merton option pricing model.

The cost of equity-settled transactions is recognised in profit or loss, together with a corresponding increase in the capital reserve, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. 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 BEEGL’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.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which 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.

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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Upon the exercise of share options, the resulting shares issued are recorded by BEEGL as its additional share capital at an amount equivalent to the total of the proceeds from the exercise of the share options and the amount previously recognised as share-based payment expenses.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payments (Continued)

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 capital reserve will be transferred to retained profits as a movement in reserves.

Defined contribution schemes

The Group has joined a number of defined contribution pension schemes organised by certain provincial or municipal governments in the PRC and Germany for certain of its employees, the assets of which are held separately from those of the Group. Contributions are made based on a percentage of the eligible employees' salaries and are charged to profit or loss as they become payable, in accordance with the rules of the 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 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 schemes

Certain employees of the Group can enjoy other retirement benefits after retirement such as supplementary medical reimbursement, allowance and beneficiary benefits pursuant to certain defined benefit plans of the Group. These benefits are unfunded. The costs of providing benefits under these defined benefit plans are determined using the projected unit credit method and are charged to 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. These obligations are measured at the present value of the estimated future cash outflows. Actuarial gains and losses, which are remeasurements arising from defined benefit plans, are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to defined benefit plan reserve as other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

NOTES TO FINANCIAL STATEMENTS

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Defined benefit schemes *(Continued)*

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under “administrative expenses” in profit or loss:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollar, which is the Company’s functional currency. 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 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 differences 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 2022

2.4 SUMMARY OF SIGNIFICANT 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 certain Mainland China and overseas subsidiaries, joint ventures and associates are currencies other than Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of comprehensive income and statements of profit or loss are translated into Hong Kong dollars 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. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in 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 Mainland China and overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

3. 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.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use or fair value less costs of disposal of the cash-generating units to which the goodwill is allocated. Estimating the value in use 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 carrying amount of goodwill carried as an asset in the consolidated statement of financial position as at 31 December 2022 was approximately HK\$16.3 billion, details of which are set out in note 17 to the financial statements.

Estimates of gas consumption

Determination of the revenue generated from the distribution and sale of piped natural gas between the date of last meter reading and the year end involves an estimation of the gas supplied to customers for whom actual meter reading is not available and the estimated volume of gas sold from the prepaid meter. The estimation is done mainly based on the billed volume from the latest meter reading period and advance from customers, adjusted by the location and nature of customers. The actual consumption could deviate from those estimates.

Control consideration in respect of an associate

The Group accounts for Beijing Enterprises Water Group Limited ("BE Water", an entity listed on the Hong Kong Stock Exchange and owned as to 41.13% by the Group as at 31 December 2022) as an associate. In determining whether the Group has control over BE Water, the Group has taken into account its effective influence it may exercise over the decisions of the board of directors of BE Water, including the voting rights held by the Group, the structure of the board of directors and senior management of BE Water and the expertise of directors designated by other shareholders. In the opinion of the Company's directors, the Group did not have the sufficient ability to exercise power to control BE Water throughout the years ended 31 December 2022 and 2021 and BE Water was accounted for as an associate in these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

Estimation of fair value of investment properties

The fair values of the Group's investment properties are assessed by management based on valuations performed by independent professionally qualified valuers. The assumptions adopted in the investment property valuations are based on information of annual rental income and property market price per square metre, supported by (i) the terms of any existing leases and other contracts; and (ii) (when possible) external evidence such as current market rents and recent prices for similar properties in the same location and condition.

Further details of the fair value estimation of the investment properties, including the key assumptions used for fair value measurement and a sensitivity analysis, are set out in note 15(b) to the financial statements.

Impairment of property, plant and equipment, right-of-use assets, operating concessions and other intangible assets (other than goodwill)

The carrying amounts of property, plant and equipment, right-of-use assets, operating concessions and other intangible assets of certain brewery and environmental operations were reviewed for impairment during the year in accordance with the accounting policy as disclosed in note 2.4 to the financial statements in light of events or changes in circumstances which indicated that the carrying amounts may not be recoverable. The recoverable amount is the higher of each asset's or CGU's fair value less costs of disposal and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets or their related CGUs, various assumptions, including future cash flows and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position. The carrying amounts of property, plant and equipment, right-of-use assets, operating concessions and other intangible assets of the related CGUs carried as assets in the consolidated statement of financial position as at 31 December 2022 were approximately HK\$3.4 billion, HK\$367 million, HK\$219 million and HK\$7 million, respectively. Details of the impairment assessment of the assets of these operations are set out in note 20 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on the profit/(loss) for the year of each reportable operating segment, which is measured consistently with the Group's profit for the year.

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

During the year, in order to better monitor the operating performance of the Group's property investment business which is included in the "Corporate and others" operating segment, the management decided to consider it as a principal activity of the Group. Accordingly, revenue and direct operating expenses associated with the property investment business are classified as "Revenue" and "Cost of sales" starting from the year ended 31 December 2022. In this regard, the corresponding amounts for the year ended 31 December 2021 have been reclassified and restated to conform to the current year's presentation.

NOTES TO FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2022

	Gas operation HK\$'000	Water operation HK\$'000	Environmental operation HK\$'000	Brewery operation HK\$'000	Corporate and others HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Segment revenue (note 5)	69,607,098	–	9,141,156	13,470,870	77,429	–	92,296,553
Cost of sales	(64,132,076)	–	(6,693,732)	(9,147,050)	(35,017)	–	(80,007,875)
Gross profit	5,475,022	–	2,447,424	4,323,820	42,412	–	12,288,678
Profit/(loss) from operating activities	3,131,382	–	1,755,928	712,806	(75,102)	–	5,525,014
Finance costs	(429,209)	–	(246,546)	(46,184)	(1,350,018)	–	(2,071,957)
Share of profits and losses of:							
Joint ventures	29,799	–	–	–	–	–	29,799
Associates	5,242,097	565,177	39,861	27,228	–	–	5,874,363
Profit/(loss) before tax	7,974,069	565,177	1,549,243	693,850	(1,425,120)	–	9,357,219
Income tax	(459,892)	–	(442,504)	(168,806)	(21,996)	–	(1,093,198)
Profit/(loss) for the year	7,514,177	565,177	1,106,739	525,044	(1,447,116)	–	8,264,021
Segment profit/(loss) attributable to shareholders of the Company	7,467,997	565,177	854,598	131,995	(1,447,116)	–	7,572,651
Segment assets	137,691,568	14,267,646	37,585,593	24,569,054	16,951,403	(9,993,897)	221,071,367
Segment liabilities	44,241,756	–	20,165,072	9,698,777	53,920,962	(9,993,897)	118,032,670
Other segment information:							
Bank Interest income	429,970	–	18,758	208,014	30,872	–	687,614
Finance income on the net investment in a finance lease	–	–	40,805	–	–	–	40,805
Depreciation of property, plant and equipment	2,188,591	–	795,976	843,179	9,358	–	3,837,104
Depreciation of right-of-use assets	267,212	–	62,827	45,744	21,366	–	397,149
Amortisation of operating concessions	–	–	243,647	–	–	–	243,647
Amortisation of other intangible assets	56,937	–	165,134	–	735	–	222,806
Impairment/(reversal of impairment) against segment assets, net*	55,285	–	289,384	(848)	–	–	343,821
Investments in joint ventures	245,501	–	6,652	–	–	–	252,153
Investments in associates	48,706,155	14,349,251	74,157	628,335	607,429	–	64,365,327
Capital expenditure**	9,156,667	–	3,052,365	535,430	55,288	–	12,799,750

NOTES TO FINANCIAL STATEMENTS

31 December 2022

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2021

	Gas operation HK\$'000	Water operation HK\$'000	Environmental operation HK\$'000	Brewery operation HK\$'000	Corporate and others HK\$'000 (Restated)	Inter- segment elimination HK\$'000	Consolidated HK\$'000 (Restated)
Segment revenue (note 5)	58,094,041	–	9,499,601	12,841,809	86,387	–	80,521,838
Cost of sales	(52,462,793)	–	(7,148,003)	(8,542,920)	(37,422)	–	(68,191,138)
Gross profit	5,631,248	–	2,351,598	4,298,889	48,965	–	12,330,700
Profit from operating activities	3,287,374	–	1,703,731	582,826	1,551,692	–	7,125,623
Finance costs	(343,023)	–	(199,640)	(25,784)	(1,225,950)	–	(1,794,397)
Share of profits and losses of:							
Joint ventures	(10,081)	–	–	–	–	–	(10,081)
Associates	4,583,069	1,720,336	(16,852)	25,989	–	–	6,312,542
Profit before tax	7,517,339	1,720,336	1,487,239	583,031	325,742	–	11,633,687
Income tax	(500,631)	–	(404,021)	(183,375)	(27,029)	–	(1,115,056)
Profit for the year	7,016,708	1,720,336	1,083,218	399,656	298,713	–	10,518,631
Segment profit attributable to shareholders of the Company	6,988,507	1,720,336	826,990	84,094	298,713	–	9,918,640
Segment assets	136,642,493	16,778,181	39,115,751	24,758,035	13,798,613	(8,271,022)	222,822,051
Segment liabilities	42,736,887	–	20,848,896	9,116,403	49,323,918	(8,271,022)	113,755,082
Other segment information:							
Gain on deemed disposal of partial interests in associates, net	–	–	–	–	1,627,382	–	1,627,382
Bank interest income	415,734	–	10,924	152,435	97,849	–	676,942
Finance income on the net investment in a finance lease	–	–	53,293	–	–	–	53,293
Depreciation of property, plant and equipment	2,692,865	–	822,118	931,367	7,963	–	4,454,313
Depreciation of right-of-use assets	230,013	–	48,843	47,692	17,636	–	344,184
Amortisation of operating concessions	–	–	212,658	–	–	–	212,658
Amortisation of other intangible assets	64,829	–	184,655	–	–	–	249,484
Impairment against segment assets, net*	71,737	–	159,258	6,625	–	–	237,620
Investments in joint ventures	326,622	–	6,652	–	–	–	333,274
Investments in associates	48,660,550	16,690,352	73,411	353,589	674,124	–	66,452,026
Capital expenditure**	7,189,954	–	3,227,513	424,250	1,620	–	10,843,337

* These amounts are recognised in the consolidated statement of profit or loss and included impairment of goodwill, property, plant and equipment, operating concessions, other intangible assets, trade receivables and other receivables.

** Capital expenditure consists of additions to property, plant and equipment, right-of-use assets, operating concessions and other intangible assets, excluding assets acquired from the acquisition of subsidiaries and the settlement of other receivables in lieu of cash settlement.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) *Revenue from external customers*

	2022 HK\$'000	2021 HK\$'000 (Restated)
Mainland China	76,579,585	71,342,949
Germany	5,903,007	6,036,825
Elsewhere	9,813,961	3,142,064
	92,296,553	80,521,838

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

(b) *Non-current assets*

	2022 HK\$'000	2021 HK\$'000
Mainland China	130,748,814	130,797,947
Germany	18,365,046	18,696,396
Russian Federation ("Russia")	8,707,456	8,756,301
Elsewhere	173,472	202,994
	157,994,788	158,453,638

The non-current asset information above is based on the locations of the assets and excludes financial assets and deferred tax assets.

Information about major customers

During each of the years ended 31 December 2022 and 2021, no single external customer contributed 10% or more of the Group's revenue.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

5. REVENUE

(a) Disaggregated revenue information

Year ended 31 December 2022

Segments	Gas operation HK\$'000	Environmental operation HK\$'000	Brewery operation HK\$'000	Corporate and others HK\$'000	Total HK\$'000
Types of goods or services					
Sale of piped natural gas	54,786,329	–	–	–	54,786,329
Sale of gas-related equipment	781,008	–	–	–	781,008
Trading of LNG	13,026,882	–	–	–	13,026,882
Sale of brewery products	–	–	13,470,870	–	13,470,870
Construction services	1,012,879	1,373,868	–	–	2,386,747
Solid waste collection services	–	4,880,442	–	–	4,880,442
Sale of electricity, steam and heat	–	2,886,846	–	–	2,886,846
Total revenue from contracts with customers	69,607,098	9,141,156	13,470,870	–	92,219,124
Revenue from another source: – Gross rental income	–	–	–	77,429	77,429
Total revenue	69,607,098	9,141,156	13,470,870	77,429	92,296,553
Geographical markets					
Mainland China	59,870,566	3,238,149	13,470,870	–	76,579,585
Germany	–	5,903,007	–	–	5,903,007
Others	9,736,532	–	–	–	9,736,532
Total revenue from contracts with customers	69,607,098	9,141,156	13,470,870	–	92,219,124
Revenue from another source: – Gross rental income	–	–	–	77,429	77,429
Total revenue	69,607,098	9,141,156	13,470,870	77,429	92,296,553
Timing of revenue recognition					
Goods transferred at a point in time	68,594,219	2,886,846	13,470,870	–	84,951,935
Services transferred at a point in time	–	4,880,442	–	–	4,880,442
Services transferred over time	1,012,879	1,373,868	–	–	2,386,747
Total revenue from contracts with customers	69,607,098	9,141,156	13,470,870	–	92,219,124
Revenue from another source: – Gross rental income	–	–	–	77,429	77,429
Total revenue	69,607,098	9,141,156	13,470,870	77,429	92,296,553

NOTES TO FINANCIAL STATEMENTS

31 December 2022

5. REVENUE *(Continued)*

(a) Disaggregated revenue information *(Continued)*

Year ended 31 December 2021 (Restated)

Segments	Gas operation HK\$'000	Environmental operation HK\$'000	Brewery operation HK\$'000	Corporate and others HK\$'000 (Restated) (note 4)	Total HK\$'000 (Restated) (note 4)
Types of goods or services					
Sale of piped natural gas	50,800,728	–	–	–	50,800,728
Sale of gas-related equipment	1,074,733	–	–	–	1,074,733
Trading of LNG	5,130,579	–	–	–	5,130,579
Sale of brewery products	–	–	12,841,809	–	12,841,809
Construction services	1,088,001	1,785,607	–	–	2,873,608
Solid waste collection services	–	5,529,053	–	–	5,529,053
Sale of electricity, steam and heat	–	2,184,941	–	–	2,184,941
Total revenue from contracts with customers	58,094,041	9,499,601	12,841,809	–	80,435,451
Revenue from another source: – Gross rental income	–	–	–	86,387	86,387
Total revenue	58,094,041	9,499,601	12,841,809	86,387	80,521,838
Geographical markets					
Mainland China	54,955,919	3,462,776	12,841,809	–	71,260,504
Germany	–	6,036,825	–	–	6,036,825
Others	3,138,122	–	–	–	3,138,122
Total revenue from contracts with customers	58,094,041	9,499,601	12,841,809	–	80,435,451
Revenue from another source: – Gross rental income	–	–	–	86,387	86,387
Total revenue	58,094,041	9,499,601	12,841,809	86,387	80,521,838
Timing of revenue recognition					
Goods transferred at a point in time	57,006,040	2,184,941	12,841,809	–	72,032,790
Services transferred at a point in time	–	5,529,053	–	–	5,529,053
Services transferred over time	1,088,001	1,785,607	–	–	2,873,608
Total revenue from contracts with customers	58,094,041	9,499,601	12,841,809	–	80,435,451
Revenue from another source: – Gross rental income	–	–	–	86,387	86,387
Total revenue	58,094,041	9,499,601	12,841,809	86,387	80,521,838

NOTES TO FINANCIAL STATEMENTS

31 December 2022

5. REVENUE *(Continued)*

(a) Disaggregated revenue information *(Continued)*

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of piped natural gas	10,397,628	9,797,243
Sale of brewery products	1,561,654	1,323,950
Rendering of solid waste treatment services	91,109	35,985
	12,050,391	11,157,178

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Gas operation

The performance obligation in respect of sale of piped natural gas is satisfied upon delivery of gas and payment is generally prepaid or due within 10 days from the date of billing.

The performance obligation in respect of sale of gas-related equipment is satisfied upon delivery of gas-related equipment and payment is generally due within 30 days from delivery.

The performance obligation in respect of trading of LNG is satisfied upon delivery of LNG and payment is generally due within 10 days from the date of billing.

Sale of brewery products

The performance obligation is satisfied upon delivery of brewery products and payment is generally due within 30 days from delivery.

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

5. REVENUE *(Continued)*

(b) Performance obligations *(Continued)*

Solid waste treatment services

The performance obligation in respect of sale of electricity, steam and heat is satisfied upon delivery of electricity, steam and heat and payment is generally due within 30 days from delivery.

The performance obligation in respect of solid waste collection service is satisfied at the point in time when the service is rendered and payment is generally due within 30 days from the date of solid waste collection.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) with an original expected duration of one year or more as at the end of the reporting period are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Expected to be recognised within one year	875,403	1,905,253
Expected to be recognised after one year	661,088	748,706
Total <i>(note)</i>	1,536,491	2,653,959

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services, of which the performance obligations are to be satisfied within two years. The amounts disclosed above do not include variable consideration which is constrained.

Note: The Group has applied the practical expedient in HKFRS 15 to its revenue from solid waste treatment service contracts for not disclosing the remaining performance obligations under the Group's existing contracts as the Group recognises revenue from the satisfaction of the performance obligation in the amount to which the Group has a right to consideration from a customer that corresponds directly with the value to the customer of the entity's performance completed to date. For all other contracts, as the performance obligations are expected to be recognised as revenue with an original expected duration of one year or less, the transaction price allocated to these unsatisfied contracts is not disclosed as permitted under HKFRS 15.

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6. OTHER INCOME AND GAINS, NET

	2022 HK\$'000	2021 HK\$'000 (Restated)
Bank interest income	687,614	676,942
Finance income on the net investment in a finance lease	40,805	53,293
Government grants*	350,418	246,144
Transfer of assets from customers (note 14)	46,429	64,313
Dividend income of equity investments at fair value through other comprehensive income	37,769	81,154
Investment income of a financial asset at fair value through profit or loss	286,762	154,549
Gain on disposal of items of property, plant and equipment, net	32,534	4,954
Gain on remeasurement of the pre-existing interest in an associate to acquisition-date fair value	203,999	—
Others	793,368	803,921
	2,479,698	2,085,270

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

7. FINANCE COSTS

	Notes	2022 HK\$'000	2021 HK\$'000
Interest on bank loans and other loans		586,944	719,996
Interest on guaranteed bonds and notes		1,459,499	1,044,080
Interest on lease liabilities	16(b)	42,669	46,047
Total interest expenses		2,089,112	1,810,123
Increase in discounted amounts of provision for major overhauls arising from the passage of time	37	1,324	518
Total finance costs		2,090,436	1,810,641
Less: Interest capitalised		(18,479)	(16,244)
		2,071,957	1,794,397

NOTES TO FINANCIAL STATEMENTS

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8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2022 HK\$'000	2021 HK\$'000 (Restated)
Cost of inventories sold		73,701,537	61,074,689
Cost of services rendered		6,271,321	7,079,027
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		35,017	37,422
Depreciation of property, plant and equipment	14	3,837,104	4,454,313
Less: Amount included in cost of inventories sold and cost of services rendered		(2,607,638)	(3,427,950)
		1,229,466	1,026,363
Depreciation of right-of-use assets	16(b)	397,149	344,184
Less: Amount included in cost of inventories sold and cost of services rendered		(121,655)	(166,882)
		275,494	177,302
Amortisation of operating concessions	18	243,647	212,658
Less: Amount included in cost of inventories sold and cost of services rendered		(238,066)	(196,191)
		5,581	16,467
Amortisation of other intangible assets	19	222,806	249,484
Less: Amount included in cost of inventories sold and cost of services rendered		(183,973)	(211,694)
		38,833	37,790
Reversal of provision for major overhauls, net*	37	(98,175)	(10,865)
Research and development expenditure		2,315,322	1,413,836
Loss on early termination of leases		5,588	2,049
Lease payments not included in the measurement of lease liabilities		84,187	79,132
Less: Amount included in cost of inventories sold and cost of services rendered		(30,215)	(39,076)
		53,972	40,056

NOTES TO FINANCIAL STATEMENTS

31 December 2022

8. PROFIT BEFORE TAX *(Continued)*

	Notes	2022 HK\$'000	2021 HK\$'000 (Restated)
Auditor's remuneration paid and payable to:			
Auditor of the Company		10,700	10,700
Auditor of an associate		5,600	5,500
Employee benefit expense (including directors' remuneration – note 9):			
Salaries, allowances and benefits in kind		7,948,469	7,285,669
Net pension scheme contributions [®]		625,595	512,254
Net benefit expense of defined benefit plans	36(a)	187,956	244,802
		8,762,020	8,042,725
Less: Amount included in cost of inventories sold and cost of services rendered		(4,055,791)	(4,087,739)
Amount capitalised in construction in progress and operating concessions		(20,790)	(17,984)
		4,685,439	3,937,002
Foreign exchange differences, net		14,437	16,782
Impairment of non-current non-financial assets*:			
Property, plant and equipment	14	76,379	–
Goodwill	17	107,981	–
Operating concessions	18	85,389	115,585
Other intangible assets	19	–	6,289
		269,749	121,874
Impairment of financial assets, net*:			
Trade receivables	26(d)	56,676	93,441
Other receivables	27(e)	17,396	22,305
		74,072	115,746
Write-down of inventories to net realisable value		31,951	38,707
Gain on settlement of other receivables in lieu of cash settlements	15(c)	(9,027)	–

* These items are included in "Other operating expenses, net" on the face of the consolidated statement of profit or loss.

[®] There is no forfeited contribution that may be used by the Group as the employer to reduce the existing level of contributions.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), 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:

	2022 HK\$'000	2021 HK\$'000
Fees	1,350	1,380
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	3,283	3,599
Pension scheme contributions	29	29
	3,312	3,628
	4,662	5,008

NOTES TO FINANCIAL STATEMENTS

31 December 2022

9. DIRECTORS' REMUNERATION *(Continued)*

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

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Year ended 31 December 2022				
Executive directors:				
Mr. Dai Xiaofeng	—	—	—	—
Mr. Jiang Xinhao	—	—	—	—
Mr. Xiong Bin	—	1,028	—	1,028
Mr. Tam Chun Fai	150	2,255	29	2,434
Mr. Li Yongcheng*	—	—	—	—
Mr. Zhao Xiaodong**	—	—	—	—
	150	3,283	29	3,462
Independent non-executive directors:				
Mr. Wu Jiesi	360	—	—	360
Mr. Lam Hoi Ham	360	—	—	360
Mr. Yu Sun Say	360	—	—	360
Ms. Chan Man Ki Maggie***	120	—	—	120
	1,200	—	—	1,200
Total directors' remuneration	1,350	3,283	29	4,662

NOTES TO FINANCIAL STATEMENTS

31 December 2022

9. DIRECTORS' REMUNERATION *(Continued)*

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Year ended 31 December 2021				
Executive directors:				
Mr. Li Yongcheng	—	69	—	69
Mr. Jiang Xinhao	—	114	—	114
Mr. Zhao Xiaodong	—	—	—	—
Mr. Dai Xiaofeng ^{**}	—	—	—	—
Mr. Xiong Bin ^{**}	—	1,035	—	1,035
Mr. Tam Chun Fai	150	2,305	29	2,484
Mr. Hou Zibo [#]	—	76	—	76
	150	3,599	29	3,778
Independent non-executive directors:				
Mr. Wu Jiesi	360	—	—	360
Mr. Lam Hoi Ham	360	—	—	360
Mr. Yu Sun Say	360	—	—	360
Mr. Sze Chi Ching ^{###}	150	—	—	150
	1,230	—	—	1,230
Total directors' remuneration	1,380	3,599	29	5,008

* Mr. Li Yongcheng resigned as an executive director of the Company with effect from 11 July 2022.

** Mr. Zhao Xiaodong resigned as an executive director of the Company with effect from 26 April 2022.

*** Ms. Chan Man Ki Maggie was appointed as an independent non-executive director of the Company with effect from 1 September 2022.

Mr. Hou Zibo resigned as an executive director of the Company with effect from 2 February 2021.

** Messrs. Dai Xiaofeng and Xiong Bin were appointed as executive directors of the Company with effect from 2 February 2021.

Mr. Sze Chi Ching resigned as an independent non-executive director of the Company with effect from 1 June 2021.

Other than Messrs. Zhao Xiaodong and Dai Xiaofeng who waived their remuneration from the Company for each of the years ended 31 December 2022 and 2021, and Messrs. Li Yongcheng and Jiang Xinhao who waived their remuneration from the Company since January 2021 and February 2021, respectively, there was no agreement under which a director waived or agreed to waive any remuneration during these years.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2022 and 2021 are neither a director nor the chief executive of the Company and details of their remuneration for the years are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries, allowances and benefits in kind	23,424	24,312
Pension scheme contributions	3,049	3,313
	26,473	27,625

The number of the five non-director and non-chief executive highest paid employees whose remuneration for the years ended 31 December 2022 and 2021 fell within the following bands is as follows:

	Number of employees	
	2022	2021
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	2
HK\$5,500,001 to HK\$6,000,000	2	–
HK\$6,500,001 to HK\$7,000,000	–	1
HK\$8,000,001 to HK\$8,500,000	1	–
HK\$9,000,001 to HK\$9,500,000	–	1
	5	5

NOTES TO FINANCIAL STATEMENTS

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11. INCOME TAX

	2022 HK\$'000	2021 HK\$'000
Current – Hong Kong	14,872	13,650
Current – Mainland China		
Charge for the year	767,275	718,044
Under/(over) provision in prior years	(19,682)	39,572
Current – Germany		
Charge for the year	425,964	436,443
Under/(over) provision in prior years	2,137	(12,751)
Current – Others	17,794	44,759
Deferred (note 39)	(115,162)	(124,661)
Total tax expense for the year	1,093,198	1,115,056

Notes:

(a) Applicable income tax rates

A summary of applicable income tax rates of the jurisdictions in which the Group has operations during the year is as follows:

	2022 %	2021 %
Hong Kong	16.5	16.5
Mainland China*	25	25
Germany	30	30
Russia	20	20
Singapore	17	17

* In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's subsidiaries established in Mainland China enjoy PRC corporate income tax exemptions and reductions.

NOTES TO FINANCIAL STATEMENTS

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11. INCOME TAX (Continued)

Notes: (Continued)

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

Year ended 31 December 2022

	Hong Kong		Mainland China		Germany		Others		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	847,986		6,590,243		1,133,088		785,902		9,357,219	
Tax expense at the statutory tax rate	139,918	16.5	1,647,564	25.0	339,926	30.0	157,180	20.0	2,284,588	24.4
Lower tax rate for specific provinces or enacted by local authority	–	–	(676,631)	(10.3)	(14,248)	(1.3)	–	–	(690,879)	(7.3)
Effect of withholding tax on distributable profit	2,543	0.3	–	–	–	–	17,794	2.3	20,337	0.2
Effect of withholding tax on interest income from intercompany loans and rental income from a lessee in the PRC	9,845	1.2	–	–	–	–	–	–	9,845	0.1
Adjustments in respect of current tax of previous periods	–	–	(19,682)	(0.3)	2,137	0.2	–	–	(17,545)	(0.2)
Profits and losses attributable to joint ventures and associates	(348,505)	(41.1)	(364,707)	(5.5)	–	–	(157,180)	(20.0)	(870,392)	(9.3)
Income not subject to tax	(483,576)	(57.0)	(454,598)	(6.9)	(2,368)	(0.2)	–	–	(940,542)	(10.1)
Expenses not deductible for tax	686,149	80.9	252,012	3.8	18,058	1.6	–	–	956,219	10.2
Tax losses not recognised as deferred tax assets	8,498	1.0	333,069	5.1	–	–	–	–	341,567	3.7
Tax expense at the Group's effective tax rate	14,872	1.8	717,027	10.9	343,505	30.3	17,794	2.3	1,093,198	11.7

NOTES TO FINANCIAL STATEMENTS

31 December 2022

11. INCOME TAX (Continued)

Notes: (Continued)

(b) (Continued)

Year ended 31 December 2021

	Hong Kong		Mainland China		Germany		Others		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	4,442,684		5,338,561		1,235,098		617,344		11,633,687	
Tax expense at the statutory tax rate	733,046	16.5	1,334,641	25.0	370,531	30.0	123,469	20.0	2,561,687	22.0
Lower tax rate for specific provinces or enacted by local authority	–	–	(645,926)	(12.1)	(7,438)	(0.6)	–	–	(653,364)	(5.6)
Effect of withholding tax on distributable profit	3,060	0.1	–	–	–	–	44,759	7.3	47,819	0.4
Effect of withholding tax on interest income from intercompany loans and rental income from a lessee in the PRC	10,509	0.2	–	–	–	–	–	–	10,509	0.1
Adjustments in respect of current tax of previous periods	–	–	39,572	0.7	(12,751)	(1.0)	–	–	26,821	0.2
Profits and losses attributable to joint ventures and associates	(640,095)	(14.4)	(250,206)	(4.6)	–	–	(123,469)	(20.0)	(1,013,770)	(8.7)
Income not subject to tax	(303,391)	(6.8)	(170,453)	(3.2)	(2,116)	(0.2)	–	–	(475,960)	(4.1)
Expenses not deductible for tax	206,643	4.6	126,806	2.4	16,543	1.3	–	–	349,992	3.1
Tax losses not recognised as deferred tax assets	3,878	0.1	257,444	4.8	–	–	–	–	261,322	2.2
Tax expense at the Group's effective tax rate	13,650	0.3	691,878	13.0	364,769	29.5	44,759	7.3	1,115,056	9.6

- (c) The share of tax attributable to joint ventures and associates amounting to HK\$10,680,000 (2021: HK\$544,000) and HK\$1,701,890,000 (2021: HK\$1,970,924,000), 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

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12. DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Interim – HK\$0.50 (2021: HK\$0.40) per ordinary share	630,627	504,821
Proposed final – HK\$1.10 (2021: HK\$0.85) per ordinary share	1,386,224	1,072,745
	2,016,851	1,577,566

The proposed final dividend 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 of HK\$7,572,651,000 (2021: HK\$9,918,640,000), and the weighted average number of ordinary shares of 1,261,554,364 (2021: 1,262,053,268) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for each of the years ended 31 December 2022 and 2021 for a dilution as the impact of the dilutive potential ordinary shares of associates in issue during these years is minimal.

NOTES TO FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT

Notes	Buildings HK\$'000 (note (a))	Leasehold improve- ments HK\$'000	Gas pipelines HK\$'000 (note (a))	Gas meters and other plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Year ended 31 December 2022								
At 1 January 2022:								
Cost	17,441,020	210,993	30,033,924	44,648,038	2,119,884	1,020,532	11,866,191	107,340,582
Accumulated depreciation and impairment	(6,296,884)	(46,032)	(11,515,366)	(26,553,378)	(1,342,496)	(665,742)	(285,984)	(46,705,882)
Net carrying amount	11,144,136	164,961	18,518,558	18,094,660	777,388	354,790	11,580,207	60,634,700
Net carrying amount:								
At 1 January 2022	11,144,136	164,961	18,518,558	18,094,660	777,388	354,790	11,580,207	60,634,700
Acquisition of subsidiaries	43 52,387	17	371,214	88,326	1,090	1,280	102,861	617,175
Additions	84,935	8,514	486	620,009	68,868	15,072	10,366,381	11,164,265
Transfer of assets from customers	6 –	–	16,736	29,693	–	–	–	46,429
Transfer from construction in progress	511,221	–	532,880	2,100,797	118,589	11,451	(3,274,938)	–
Transfer to assets of disposal groups classified as held for sale	44 (142,882)	–	–	(94,917)	(3,507)	(857)	(2,500)	(244,663)
Depreciation provided during the year	(517,684)	(2,514)	(1,136,414)	(1,985,232)	(130,555)	(64,705)	–	(3,837,104)
Impairment provided during the year	20(b) (49,500)	–	–	(25,171)	(265)	(127)	(1,316)	(76,379)
Disposals	(147,369)	(643)	(148)	(175,383)	(1,762)	(3,455)	(28,609)	(357,369)
Exchange realignment	(747,610)	(11,722)	(1,249,300)	(1,173,499)	(52,615)	(23,207)	(897,651)	(4,155,604)
At 31 December 2022	10,187,634	158,613	17,054,012	17,479,283	777,231	290,242	17,844,435	63,791,450
At 31 December 2022:								
Cost	16,389,647	213,987	29,126,649	43,200,735	2,109,109	930,110	18,154,483	110,124,720
Accumulated depreciation and impairment	(6,202,013)	(55,374)	(12,072,637)	(25,721,452)	(1,331,878)	(639,868)	(310,048)	(46,333,270)
Net carrying amount	10,187,634	158,613	17,054,012	17,479,283	777,231	290,242	17,844,435	63,791,450

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

	Buildings HK\$'000 (note (a))	Leasehold improve- ments HK\$'000	Gas pipelines HK\$'000 (note (a))	Gas meters and other plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Year ended 31 December 2021								
At 1 January 2021:								
Cost	17,195,393	215,935	27,924,565	42,361,144	1,927,073	995,769	8,210,825	98,830,704
Accumulated depreciation and impairment	(5,765,917)	(38,929)	(9,840,865)	(25,151,147)	(1,220,822)	(622,619)	(279,437)	(42,919,736)
Net carrying amount	11,429,476	177,006	18,083,700	17,209,997	706,251	373,150	7,931,388	55,910,968
Net carrying amount:								
At 1 January 2021	11,429,476	177,006	18,083,700	17,209,997	706,251	373,150	7,931,388	55,910,968
Additions	190,740	565	471,319	1,144,699	146,720	38,846	6,736,750	8,729,639
Transfer of assets from customers (note 6)	–	–	64,313	–	–	–	–	64,313
Transfer from construction in progress	132,214	–	908,431	2,060,075	61,522	6,189	(3,168,431)	–
Depreciation provided during the year	(541,948)	(3,768)	(1,425,320)	(2,264,405)	(150,054)	(68,818)	–	(4,454,313)
Disposals	(244,050)	–	(24,875)	(115,691)	(4,756)	(3,295)	(45,933)	(438,600)
Exchange realignment	177,704	(8,842)	440,990	59,985	17,705	8,718	126,433	822,693
At 31 December 2021	11,144,136	164,961	18,518,558	18,094,660	777,388	354,790	11,580,207	60,634,700
At 31 December 2021:								
Cost	17,441,020	210,993	30,033,924	44,648,038	2,119,884	1,020,532	11,866,191	107,340,582
Accumulated depreciation and impairment	(6,296,884)	(46,032)	(11,515,366)	(26,553,378)	(1,342,496)	(665,742)	(285,984)	(46,705,882)
Net carrying amount	11,144,136	164,961	18,518,558	18,094,660	777,388	354,790	11,580,207	60,634,700

Notes:

- (a) At 31 December 2022, the buildings in relation to a solid waste incineration plant and gas pipelines of the Group situated in Mainland China with net carrying amounts of HK\$358,550,000 (2021: HK\$284,457,000) and HK\$451,518,000 (2021: HK\$293,854,000), respectively, were pledged to secure bank and other loans granted to the Group (note 34(c)).
- (b) During the year ended 31 December 2022, impairment losses of HK\$76,379,000 (2021: Nil) were recognised against the property, plant and equipment of the Group's environmental operation, details of which are set out in note 20(b) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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15. INVESTMENT PROPERTIES

	Notes	2022 HK\$'000	2021 HK\$'000
Carrying amount as at 1 January		1,213,849	1,189,696
Additions from settlement of receivables	(c)	134,027	–
Acquisition of subsidiaries	43	73,601	–
Exchange realignment		(77,147)	24,153
Carrying amount as at 31 December		1,344,330	1,213,849

Notes:

- (a) The investment properties are office buildings or premises and are leased to third parties under operating leases, further summary details of which are included in note 16(a) to the financial statements.
- (b) Each year, the Group's chief financial officer decides to appoint which external valuer 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. The Group holds discussion with valuers on the valuation assumptions and valuation results once a year when the valuation is performed for the purpose of annual financial reporting.

At 31 December 2022, the investment properties were revalued based on valuations performed by Cushman & Wakefield, independent professionally qualified valuers, using the investment method and direct comparison method. No fair value gain or loss was recognised on the Group's investment properties during the year ended 31 December 2022 (2021: Nil) as there were no material changes in the fair value of these properties when compared to those as at 31 December 2021.

The fair values of all the Group's investment properties were revalued using significant unobservable inputs (Level 3 fair value measurement). 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 (2021: Nil). The definitions of Level 1, Level 2 and Level 3 are explained under the policy set out for "Fair value measurement" in note 2.4 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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15. INVESTMENT PROPERTIES *(Continued)*

Notes: (Continued)

(b) *(Continued)*

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

Type of properties	Valuation techniques*	Significant unobservable inputs	Range	
			2022	2021
Office buildings or premises	Investment method and direct comparison method	Estimated rental value per square metre and per month (HK\$)	74 to 405	79 to 434
		Capitalisation rate	6.25% to 7.25%	6.5% to 7.5%
		Price per square metre (HK\$)	10,235 to 59,485	10,794 to 62,376

* *Valuations were based on either the investment method by capitalisation of net rental income derived from the existing tenancies with provisions for revisionary rental income potential or the direct comparison method by reference to comparable market transactions.*

A significant increase (decrease) in the estimated rental value or price per square metre in isolation would result in a significantly higher (lower) fair value of the investment properties. A significant increase (decrease) in the capitalisation rate in isolation would result in a significantly lower (higher) fair value of the investment properties.

Generally, a change in the assumption made for the price per square metre is accompanied by a directionally similar change in estimated rental value per square metre and per month and an opposite change in the capitalisation rate.

(c) During the year ended 31 December 2022, certain other receivables were settled by the transfer of ownership of properties owned by the debtors to the Group in lieu of cash settlements. Accordingly, at the time of settlement, the carrying amounts of the related other receivables were derecognised and the properties that have been transferred to the Group were recognised as investment properties at their then fair values. The differences between the fair values of the properties transferred to the Group and the then carrying amounts of the relevant receivables amounted to HK\$9,027,000 (2021: Nil) in total, which were recognised in profit or loss for the year ended 31 December 2022 (note 8).

NOTES TO FINANCIAL STATEMENTS

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16. LEASES

(a) The Group as a lessor

Finance lease receivable under a finance lease

One of the Group's solid waste incineration plants in Germany is leased out under a finance lease arrangement, which has a remaining lease term of 1.5 years (2021: 2.5 years).

At 31 December 2022, the maturity analysis of the undiscounted lease payments receivable by the Group in future periods in respect of the finance lease and their present values is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts receivable:				
Within one year	132,984	140,463	128,780	136,023
After one year but within two years	444,835	140,463	397,959	126,855
After two years but within three years	–	469,847	–	391,999
Total minimum finance lease receivables	577,819	750,773	526,739	654,877
Less: Unearned finance income	(51,080)	(95,896)		
Total net receivable under a finance lease	526,739	654,877		
Portion classified as current assets	(100,011)	(98,516)		
Non-current portion	426,728	556,361		

The Group provides for the lifetime ECL for the receivable under a finance lease based on the credit rating of the lessee. Based on historical data and management's analysis, the loss on collection was not material and hence no provision for ECL was considered necessary.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

16. LEASES *(Continued)*

(a) The Group as a lessor *(Continued)*

Operating leases

The Group leases its investment properties (note 15) consisting of office buildings or premises in the PRC to third parties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was HK\$77,429,000 (2021: HK\$86,387,000), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	31,151	55,667
After one year but within two years	27,065	30,821
After two years but within three years	28,347	16,259
After three years but within four years	3,804	13,332
Total	90,367	116,079

(b) Group as a lessee

The Group has lease arrangements as a lessee for various items of land, office premises, staff quarters, plant and machinery, and motor vehicles for use in its operations. These lease arrangements generally have the following lease terms:

Leasehold land	5 to 50 years
Office premises and staff quarters	2 to 47 years
Plant and machinery	3 to 20 years
Motor vehicles	6 years

Lump sum payments were made upfront to acquire the leased land from the owners, and no ongoing payments will be made under the terms of these land leases. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension options, which are further discussed below.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

16. LEASES *(Continued)*

(b) Group as a lessee *(Continued)*

Right-of-use assets

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

	Notes	Leasehold land HK\$'000	Office premises and staff quarters HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2021		1,525,299	528,070	74,175	9,168	2,136,712
Additions		16,743	616,089	283	14,900	648,015
Depreciation provided during the year		(34,675)	(291,688)	(7,773)	(10,048)	(344,184)
Early termination of leases		(2,923)	(7,413)	(3,568)	–	(13,904)
Exchange realignment		33,604	15,217	(4,149)	(675)	43,997
At 31 December 2021 and 1 January 2022		1,538,048	860,275	58,968	13,345	2,470,636
Acquisition of subsidiaries	43	–	47,756	–	–	47,756
Additions		128,366	230,639	6,081	7,357	372,443
Depreciation provided during the year		(67,525)	(313,432)	(7,226)	(8,966)	(397,149)
Early termination of leases		(2,833)	(19,373)	–	–	(22,206)
Transfer to assets of disposal groups classified as held for sale	44	(17,180)	(1,330)	–	–	(18,510)
Exchange realignment		(99,017)	(53,541)	(3,276)	(704)	(156,538)
At 31 December 2022		1,479,859	750,994	54,547	11,032	2,296,432

NOTES TO FINANCIAL STATEMENTS

31 December 2022

16. LEASES *(Continued)*

(b) **Group as a lessee** *(Continued)* *Lease liabilities*

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

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
At 1 January		958,280	725,919
Acquisition of subsidiaries	<i>43</i>	15,047	–
New leases		372,443	648,015
Accretion of interest recognised during the year	<i>7</i>	42,669	46,047
Payments		(465,380)	(460,801)
Early termination of leases		(16,618)	(11,855)
Transfer to liabilities of disposal groups classified as held for sale	<i>44</i>	(1,458)	–
Exchange realignment		(59,201)	10,955
At 31 December		845,782	958,280
Portion classified as current liabilities		(362,009)	(366,117)
Non-current portion		483,773	592,163

The maturity analysis of lease liabilities is disclosed in note 50 to the financial statements.

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31 December 2022

16. LEASES *(Continued)*

(b) Group as a lessee *(Continued)*

Extension options

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease terms:

2022

	Payable within five years <i>HK\$'000</i>	Payable after five years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Extension options expected not to be exercised	120,338	82,747	203,085

2021

	Payable within five years <i>HK\$'000</i>	Payable after five years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Extension options expected not to be exercised	27,856	3,759	31,615

Other lease information

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

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	7	42,669	46,047
Depreciation of right-of-use assets	8	397,149	344,184
Expense relating to short-term leases (included in cost of sales and administrative expenses)	8	70,699	64,496
Expense relating to leases of low-value assets (included in administrative expenses)	8	13,488	14,636
Loss on early termination of leases	8	5,588	2,049
Total amount recognised in profit or loss		529,593	471,412

The total cash outflow for leases is disclosed in note 45(c) to the financial statements.

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17. GOODWILL

	2022 HK\$'000	2021 HK\$'000
At 1 January:		
Cost	16,793,004	17,295,096
Accumulated impairment	(539,423)	(533,090)
Net carrying amount	16,253,581	16,762,006
Net carrying amount:		
At 1 January	16,253,581	16,762,006
Acquisition of subsidiaries (<i>note 43</i>)	575,926	–
Impairment provided during the year	(107,981)	–
Exchange realignment	(466,713)	(508,425)
At 31 December	16,254,813	16,253,581
At 31 December:		
Cost	16,881,632	16,793,004
Accumulated impairment	(626,819)	(539,423)
Net carrying amount	16,254,813	16,253,581

NOTES TO FINANCIAL STATEMENTS

31 December 2022

17. GOODWILL *(Continued)*

Impairment testing of goodwill

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

	Notes	2022 HK\$'000	2021 HK\$'000
Gas operation	(a)	7,856,962	7,313,831
Brewery operation	(b)	314,388	337,393
Environmental operation	(c)	8,026,383	8,545,277
Others		57,080	57,080
		16,254,813	16,253,581

Notes:

- (a) The recoverable amount of the gas operation has been determined by reference to a business valuation of the relevant cash-generating unit performed by an independent professionally qualified valuer based on a value-in-use calculation using cash flow projection which is based on a financial forecast approved by senior management covering a period of five years and based on the assumption that the operation can generate cash flows perpetually. The discount rate applied to the cash flow projection is 8.7% (2021: 10.1%), which is determined by reference to the average rate for a similar industry and the business risk of the relevant business unit. A growth rate of 2% (2021: 3%) is used for the perpetual period.

Based on the results of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the goodwill attributable to the gas operation as at 31 December 2022 (2021: Nil).

- (b) Goodwill attributable to the brewery operation mainly arose from the Group's investment in Yanjing Brewery and from the acquisition of certain of its subsidiaries in prior years.

The recoverable amount of the investment in Yanjing Brewery was determined based on the fair value less costs of disposal by reference to the market value of the shares of Yanjing Brewery held by the Group (Level 1 fair value measurement) as at 31 December 2022 and 2021.

The recoverable amount of each of the investments in other subsidiaries was determined by reference to a valuation prepared by an independent professionally qualified valuer on the value-in-use basis using cash flow projections of individual entities which are based on financial forecasts approved by senior management covering a period of five years and based on the assumption that the operation can generate cash flows perpetually. The discount rate applied to the cash flow projection is 15.8% (2021: 15.2%), which is determined by reference to the average rate for a similar industry and the business risk of the relevant business unit. A growth rate of 3% (2021: 3%) is used for the perpetual period.

Based on the results of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the goodwill attributable to the brewery operation arising from other subsidiaries as at 31 December 2022 (2021: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2022

17. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Notes: *(Continued)*

- (c) Goodwill attributable to the environmental operation mainly arose from the Group's investments in EEW and M+E Holding GmbH & Co. KG (the "EEW Group") in Germany, and from the acquisition of Golden State Waste Management Corporation ("GSWM") in Mainland China in prior years.

The recoverable amount of the environmental operation of the EEW Group has been determined by reference to a business valuation performed by an independent professionally qualified valuer on the value-in-use basis using a cash flow projection which is based on the financial forecast approved by the senior management covering a period of five years. The financial forecast of the EEW Group was based on, inter alia, the assumptions that the scale of the operations remains constant perpetually and the operations can generate cash flows perpetually from the related solid waste treatment projects. The discount rate applied to the cash flow projection is 7.1% (2021: 5.4%), which is determined by reference to the average rate for a similar industry and the business risk of the relevant business units. A growth rate of 2% (2021: 1%) is used for the perpetual period.

The recoverable amount of the environmental operation of GSWM has been determined on the value-in-use basis using a cash flow projection which is based on a financial forecast prepared by management covering the service concession periods of the relevant solid waste treatment projects. The financial forecast of GSWM was based on, inter alia, the assumptions that the scale of the operations remains constant perpetually and the operations can generate cash flows perpetually from the relevant solid waste treatment projects. The discount rate applied to the cash flow projection is 10.0% (2021: 10.0%), which is determined by reference to the average rate for a similar industry and the business risk of the relevant business units. A growth rate of 3% (2021: 3%) is used for the perpetual period.

Based on the results of the impairment testing for the EEW Group and GSWM, in the opinion of the directors, no impairment provision was considered necessary for the goodwill attributable to them (2021: Nil).

In respect of the other subsidiaries of this segment, a hazardous waste treatment plant of the Group in Huai'an, Jiangsu province, the PRC (the "Huai'an Plant") has been suspended from operations due to substantial loss-making and under-utilisation in recent years. The directors of the Company are of the opinion that it is unlikely for the Huai'an Plant to resume normal operation in the near future and therefore the future operating cash flows from the Huai'an Plant is adversely affected. In view of the afore-mentioned suspension of the Huai'an Plant, the directors are of the view that a positive cash flow projection could not be derived from the Huai'an Plant operation in the foreseeable future, and therefore, a full impairment provision of HK\$107,981,000 was recognised during the year ended 31 December 2022 in respect of the goodwill attributable to the environmental operation (2021: Nil).

Key assumptions used in value-in-use calculations

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:

Gas operation

- (i) Budgeted revenue

The budgeted revenue is based on the projected piped gas sales volume.

- (ii) Budgeted gross margins

In respect of the relevant business units in the gas operation segment, the budgeted gross margins are based on the latest selling price of gas up to the date of the valuation report.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

17. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Key assumptions used in value-in-use calculations (Continued)

Gas operation (Continued)

(iii) Discount rate

The discount rate used is before tax and reflects specific risks relating to the piped gas operation.

(iv) Business environment

- There will be no major changes in the existing political, legal and economic conditions in Mainland China and other locations in which the assessed entity carried on its business.
- The gas supply network has already been set up in most urban areas in Beijing where majority of the Group's piped gas operation is located. A high degree of unique features of the gas supply business and high construction and fixed costs in establishing alternative gas supply network in urban districts in Beijing create an exceptionally high entry barrier for other operators to enter into these regions. Therefore, in the opinion of the directors, the Group's piped gas operation can generate income perpetually.

Brewery operation

(i) Budgeted revenue

The budgeted revenue is based on the projected brewery products sales volume.

(ii) Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, having adjusted for expected market development.

(iii) Discount rate

The discount rate used is before tax and reflects specific risks relating to the brewery operation.

(iv) Business environment

There will be no major changes in the existing political, legal and economic conditions in Mainland China in which the assessed entity carried on its business.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

17. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Key assumptions used in value-in-use calculations (Continued)

Environmental operation

(i) Budgeted revenue

The budgeted revenue is based on the projected solid waste treatment volume and the latest service fees of solid waste collection and selling prices of electricity, steam and heat up to the date of the forecast.

(ii) Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, having adjusted for expected efficiency improvements, and expected market development.

(iii) Discount rates

The discount rates used are before tax and reflect specific risks relating to the relevant units.

(iv) Business environment

There will be no major changes in the existing political, legal and economic conditions in Germany and Mainland China.

18. SERVICE CONCESSION ARRANGEMENTS

The Group operates a number of service concession arrangements with governmental authorities in Mainland China on a Build-Operate-Transfer (“BOT”) or a Transfer-Operate-Transfer (“TOT”) basis in respect of its environmental operation. These service concession arrangements generally involve the Group as an operator (i) constructing the infrastructures 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 infrastructures at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 15 to 40 years (the “service concession periods”).

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, where appropriate, use all the property, plant and equipment of the infrastructures, however, the relevant governmental authorities as grantors will control and regulate the scope of services the Group must provide with the infrastructures, and retain the beneficial entitlement to any residual interest in the infrastructures at the end of the term 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 authorities in Mainland China that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the infrastructures 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 2022

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

The accounting policies in respect of the classification of the service concession arrangements between intangible assets (operating concessions) and financial assets (receivables under service concession arrangements) are set out under the heading of “Service concession arrangements” in note 2.4 to the financial statements.

The following is the summarised information of the Group’s service concession arrangements:

Operating concessions

	2022 HK\$'000 <i>(note (a))</i>	2021 <i>HK\$'000</i> <i>(note (a))</i>
At 1 January:		
Cost	7,622,862	6,220,248
Accumulated amortisation and impairment	(2,325,618)	(1,971,400)
Net carrying amount	5,297,244	4,248,848
Net carrying amount:		
At 1 January	5,297,244	4,248,848
Additions	1,168,939	1,244,526
Actual cost adjustment	(314)	(1,100)
Amortisation provided during the year	(243,647)	(212,658)
Impairment provided during the year <i>(note 20(b))</i>	(85,389)	(115,585)
Exchange realignment	(434,493)	133,213
At 31 December	5,702,340	5,297,244
At 31 December:		
Cost	8,294,617	7,622,862
Accumulated amortisation and impairment	(2,592,277)	(2,325,618)
Net carrying amount	5,702,340	5,297,244

NOTES TO FINANCIAL STATEMENTS

31 December 2022

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Receivables under service concession arrangements

	Notes	2022 HK\$'000	2021 HK\$'000
Receivables under service concession arrangements attributable to the environmental operation	(a), (b)	3,501,175	3,486,272
Portion classified as current assets		(137,412)	(121,046)
Non-current portion		3,363,763	3,365,226

Notes:

- (a) The operating concessions of the Group are mainly attributable to the environmental operation.

At 31 December 2022, the Group had 17 (2021: 17) service concession arrangements on solid waste treatment with certain governmental authorities in Mainland China, of which 5 (2021: 5) solid waste treatment operation concession rights of the Group (comprising operating concessions and receivables under service concession arrangements) with an aggregate net carrying amount of HK\$3,058,819,000 (2021: HK\$3,358,341,000) were pledged to secure certain bank loans granted to the Group (note 34(c)).

- (b) In respect of the Group's receivables under service concession arrangements, they were all unbilled as at 31 December 2022 and 2021 and future settlement of such receivables is closely monitored in order to minimise any credit risk associated with the receivables.

The Group provides for lifetime ECL for receivables under service concession arrangements, based on the credit rating of the debtors. Based on historical data and management's analysis, the loss on collection was not material and hence no provision for ECL against the receivables under service concession arrangements as at 31 December 2022 was considered necessary (2021: Nil).

- (c) The amounts of contract assets included in the carrying amounts of operating concessions and receivables under service concession arrangements as at the end of the reporting period are as follows:

	2022 HK\$'000	2021 HK\$'000
Contracts assets included in:		
Operating concessions	4,129,999	3,373,928
Receivables under service concession arrangements	1,334,758	1,150,566
Total	5,464,757	4,524,494

The above contract assets are initially recognised for revenue earned from the provision of construction services of solid waste incineration plants during the period of construction under service concession arrangements. Pursuant to the service concession agreements, the Group receives no payment from grantors during the construction period and receives service fees when relevant solid waste collection service is rendered. The receivables under service concession arrangements (including the contract assets therein) are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. Amounts billed will then be transferred to trade receivables. The Group's trading terms and credit policy with customers are disclosed in note 26 to the financial statements.

Further details of the Group's contract assets are set out in note 27(b) to the financial statements.

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19. OTHER INTANGIBLE ASSETS

	Customer contracts <i>HK\$'000</i>	Operating concessions <i>HK\$'000</i>	Patents <i>HK\$'000</i>	Computer software <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022					
At 1 January 2022:					
Cost	3,522,817	506,185	60,101	950,018	5,039,121
Accumulated amortisation and impairment	(1,153,330)	(118,114)	(27,195)	(556,597)	(1,855,236)
Net carrying amount	2,369,487	388,071	32,906	393,421	3,183,885
Net carrying amount:					
At 1 January 2022	2,369,487	388,071	32,906	393,421	3,183,885
Acquisition of subsidiaries (<i>note 43</i>)	–	65,947	–	–	65,947
Additions	–	–	–	94,103	94,103
Amortisation provided during the year	(152,765)	(10,110)	(465)	(59,466)	(222,806)
Disposals	–	–	(25,508)	(25,349)	(50,857)
Exchange realignment	(128,159)	(26,230)	(493)	(25,012)	(179,894)
At 31 December 2022	2,088,563	417,678	6,440	377,697	2,890,378
At 31 December 2022:					
Cost	3,335,306	1,149,774	25,000	955,179	5,465,259
Accumulated amortisation and impairment	(1,246,743)	(732,096)	(18,560)	(577,482)	(2,574,881)
Net carrying amount	2,088,563	417,678	6,440	377,697	2,890,378

NOTES TO FINANCIAL STATEMENTS

31 December 2022

19. OTHER INTANGIBLE ASSETS *(Continued)*

	Customer contracts <i>HK\$'000</i>	Operating concessions <i>HK\$'000</i>	Patents <i>HK\$'000</i>	Computer software <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021					
At 1 January 2021:					
Cost	3,828,652	439,951	51,051	807,028	5,126,682
Accumulated amortisation and impairment	(1,061,548)	(101,771)	(10,065)	(559,196)	(1,732,580)
Net carrying amount	2,767,104	338,180	40,986	247,832	3,394,102
Net carrying amount:					
At 1 January 2021	2,767,104	338,180	40,986	247,832	3,394,102
Additions	–	–	–	221,157	221,157
Amortisation provided during the year	(169,634)	(10,472)	(2,054)	(67,324)	(249,484)
Impairment provided during the year (<i>note 20(b)</i>)	–	–	(6,289)	–	(6,289)
Disposals	–	–	–	(9,998)	(9,998)
Exchange realignment	(227,983)	60,363	263	1,754	(165,603)
At 31 December 2021	2,369,487	388,071	32,906	393,421	3,183,885
At 31 December 2021:					
Cost	3,522,817	506,185	60,101	950,018	5,039,121
Accumulated amortisation and impairment	(1,153,330)	(118,114)	(27,195)	(556,597)	(1,855,236)
Net carrying amount	2,369,487	388,071	32,906	393,421	3,183,885

NOTES TO FINANCIAL STATEMENTS

31 December 2022

20. IMPAIRMENT TESTING OF NON-CURRENT ASSETS (OTHER THAN GOODWILL) OF CERTAIN OPERATIONS

Certain of the Group's brewery plants and solid waste incineration plants have been loss-making for some time, and the operations of certain solid waste incineration plants in Mainland China were suspended or restricted under local governments' instructions. These events constituted impairment indications of the non-current non-financial assets attributable to the relevant cash-generating units, including property, plant and equipment, right-of-use assets, operating concessions and other intangible assets. Accordingly, the Group carried out impairment tests of these assets attributable to the related cash-generating units as at 31 December 2022 and 2021 in accordance with HKAS 36 *Impairment of Assets*, which is summarised as follows:

(a) Brewery operation

In respect of the loss-making brewery plants, the directors had estimated the recoverable amounts (which is the fair value less costs of disposal ("FV")) of their non-current assets (the "Brewery Assets") for the purpose of impairment testing.

In this connection, the Company had engaged CHFT Advisory and Appraisal Limited, an independent professional valuer, to assess the FV of the relevant CGUs of the brewery operation to derive the FV of the Brewery Assets. The FV was determined by reference to valuations performed by the valuer using the market approach, by reference to the prices at which an orderly transaction to sell these Brewery Assets would take place. The fair value measurement used significant unobservable inputs (Level 3 of the fair value hierarchy).

Based on the results of the FV assessment, no additional impairment provision was considered necessary for the Brewery Assets (2021: Nil).

Below was a summary of the valuation techniques used and the key inputs used in assessing the FV of the CGUs in brewery operation during the years ended 31 December 2022 and 2021:

	Valuation techniques	Significant unobservable inputs	Range or weighted average
Property, plant and equipment and right-of-use assets	Market approach	Selling land unit rate (per square meter)	RMB81 to RMB6,146 (2021: RMB83 to RMB6,370)
		Selling building unit rate (per square meter)	RMB1,482 to RMB15,027 (2021: RMB2,452 to RMB12,305)

NOTES TO FINANCIAL STATEMENTS

31 December 2022

20. IMPAIRMENT TESTING OF NON-CURRENT ASSETS (OTHER THAN GOODWILL) OF CERTAIN OPERATIONS *(Continued)*

(b) Environmental operation

Impairment of the Huai'an Plant

As mentioned in note 17 to the financial statements, the Huai'an Plant has been suspended from operations due to substantial loss-making and under-utilisation in recent years. The directors of the Company are of the opinion that it is unlikely for the Huai'an Plant to resume normal operation in the near future and therefore the future operating cash flows from the Huai'an Plant is adversely affected.

In view of the afore-mentioned suspension of the Huai'an Plant, the directors are of the view that Huai'an Plant has no recoverable amount as a positive cash flow projection could not be derived, and therefore, a full impairment loss of RMB67,214,000 (equivalent to HK\$76,379,000) was recognised against the property, plant and equipment of this plant during the year ended 31 December 2022 (2021: Nil).

Impairment of the Hunan Plant

During the year ended 31 December 2021, a hazardous waste treatment plant of the Group in Hunan province, the PRC (the "Hunan Plant") had reduced the volume of hazardous waste treatment due to certain environmental protection rules imposed by the PRC government. In the opinion of the directors of the Company, the hazardous waste treatment volume of the plant will be reduced in the future, which indicated that the related assets of the service concession arrangement, with a net carrying amount of RMB182,794,000 as at 31 December 2021, might have been impaired. In this regard, management had appointed an independent professional valuer to estimate the recoverable amount of the related non-current assets based on a value-in-use calculation using cash flow projections based on financial forecasts covering the service concession period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 10.0%. Based on the results of the impairment assessment, the recoverable amount of the Hunan Plant was estimated to be approximately RMB81,638,000, and impairment losses of RMB95,936,000 (equivalent to HK\$115,585,000) and RMB5,220,000 (equivalent to HK\$6,289,000) were recognised against the operating concession and other intangible assets during the year ended 31 December 2021, respectively.

During the year ended 31 December 2022, based on the latest waste treatment volume of the plant and the feasibility of completion of the relevant restoration works, the directors of the Company considered that the related assets of the service concession arrangement might have been further impaired and updated the impairment assessment. The pre-tax discount rate applied to the revised cash flow projections was 10.0%. Based on the results of the impairment assessment, the recoverable amount of the Hunan Plant was estimated to be approximately RMB22,387,000, and an additional impairment loss of RMB73,435,000 (equivalent to HK\$85,389,000) was recognised against the operating concession during the year.

NOTES TO FINANCIAL STATEMENTS

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21. INVESTMENTS IN JOINT VENTURES

	2022 HK\$'000	2021 HK\$'000
Share of net assets	252,153	333,274

All joint ventures of the Group are not individually material.

22. INVESTMENTS IN ASSOCIATES

	Notes	2022 HK\$'000	2021 HK\$'000
Share of net assets, net of impairment	(b), (c)	53,691,994	55,780,808
Goodwill on acquisition, net of impairment	(b), (c)	10,673,333	10,671,218
		64,365,327	66,452,026

Notes:

(a) Particulars of the material associates, which are all indirectly held by the Company, are as follows:

Company name	Place of business/ country of incorporation	Particulars of issued capital held	Percentage of		
			Ownership interest attributable to the Group	Voting power	Profit sharing
國家管網集團北京管道有限公司 ("PipeChina Beijing Pipeline")	Mainland China/PRC	Paid-up capital	40	40	40
BE Water [†]	Mainland China and certain overseas countries/Bermuda	Ordinary shares	41.13	41.13	41.13
China Gas Holdings Limited ("China Gas") [‡]	Mainland China/ Bermuda	Ordinary shares	23.39	23.39	23.39
PJSC Verkhnechonskneftegaz ("VCNG")	Russia	Ordinary shares	20	20	20

NOTES TO FINANCIAL STATEMENTS

31 December 2022

22. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

^π *BE Water is a company listed on the Main Board of the Hong Kong Stock Exchange. The market value of the shares of BE Water held by the Group as at 31 December 2022 and the date of approval of these financial statements, based on its then quoted market prices, amounted to approximately HK\$8.3 billion (2021: HK\$12.5 billion) and HK\$8.1 billion (2021: HK\$10.3 billion), respectively.*

During the year ended 31 December 2022, the Group's equity interest in BE Water increased from 40.66% to 41.13% after the repurchase of 89,212,000 shares by BE Water from the market.

During the year ended 31 December 2021, the Group's equity interest in BE Water was diluted from 41.13% to 40.66% upon the exercise of 114,226,000 share options by certain option holders of BE Water, resulting in a loss on deemed disposal of partial interests of HK\$76,744,000 recognised by the Group in profit or loss.

^Ω *China Gas is a company listed on the Main Board of the Hong Kong Stock Exchange. The market value of the shares of China Gas held by the Group as at 31 December 2022 and the date of approval of these financial statements, based on its then quoted market prices, amounted to approximately HK\$14.5 billion (2021: HK\$20.6 billion) and HK\$14.1 billion (2021: HK\$13.0 billion), respectively.*

During the year ended 31 December 2022, the Group's equity interest in China Gas increased from 22.96% to 23.39% after the repurchase of 95,458,000 shares by China Gas from the market.

During the year ended 31 December 2021, the Group's equity interest in China Gas was diluted from 23.74% to 22.08% upon placing of 392,000,000 new shares by China Gas under a top-up placing arrangement, resulting in a gain on deemed disposal of partial interests of HK\$1,704,126,000 recognised by the Group in profit or loss. Subsequent to the placing arrangement, the Group's equity interest in China Gas increased from 22.08% to 22.96% upon repurchase of 68,574,600 shares by China Gas from the market.

(b) Material associates disclosures

The Group's associates are accounted for using the equity method and the principal activities of the four material associates are as follows:

- (i) PipeChina Beijing Pipeline is engaged in the provision of natural gas transmission services in Mainland China.
- (ii) BE Water and its subsidiaries are engaged in the construction of sewage and reclaimed water treatment plants and other infrastructural facilities, the provision of construction services for comprehensive renovation projects, sewage treatment, reclaimed water treatment and distribution, and the provision of consultancy services, the licensing of technical know-how that is related to sewage treatment in Mainland China and certain overseas countries and provision of environmental hygiene services and hazardous waste treatment services in Mainland China.
- (iii) China Gas and its subsidiaries are principally engaged in the distribution and sale of piped natural gas, liquefied petroleum gas, and the provision of gas connection services in Mainland China.
- (iv) VCNG is principally engaged in oil, gas and gas condensate fields exploration, production and sale in Russia.

NOTES TO FINANCIAL STATEMENTS

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22. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

The following table illustrates the summarised financial information of the above four material associates which has been adjusted to reflect the fair values of identifiable assets and liabilities at the respective dates of acquisition by the Group, and reconciled to the carrying amount in the consolidated financial statements:

	PipeChina Beijing Pipeline		BE Water		China Gas*		VCNG	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	7,572,741	3,861,088	46,585,835	39,601,301	56,682,548	56,622,660	7,542,722	6,723,559
Non-current assets	43,511,581	48,315,305	137,359,876	144,021,885	98,846,087	98,878,121	37,065,324	38,791,145
Current liabilities	(6,964,605)	(14,254,101)	(50,741,158)	(49,699,603)	(52,325,853)	(41,214,743)	(2,683,879)	(3,384,318)
Non-current liabilities	(7,218,758)	(1,187,893)	(73,741,052)	(70,374,829)	(39,060,059)	(41,587,196)	(7,103,945)	(7,054,825)
Net assets	36,900,959	36,734,399	59,463,501	63,548,754	64,142,723	72,698,842	34,820,222	35,075,561
Less: Non-controlling interests	–	–	(25,583,501)	(23,519,376)	(7,837,864)	(8,470,270)	–	–
Net assets attributable to shareholders of the associates	36,900,959	36,734,399	33,880,000	40,029,378	56,304,859	64,228,572	34,820,222	35,075,561
Reconciliation to the Group's investments in the associates								
Proportion of the Group's ownership	40%	40%	41.13%	40.66%	23.39%	22.96%	20%	20%
Group's share of net assets of the associates, excluding goodwill recognised by the Group	14,760,384	14,693,760	13,934,844	16,275,945	13,169,707	14,746,880	6,964,044	7,015,112
Goodwill on acquisition recognised by the Group	–	–	443,586	443,586	8,040,362	8,040,362	1,743,421	1,741,189
Other reconciling items	–	–	(29,179)	(29,179)	–	–	–	–
Carrying amount of the investments	14,760,384	14,693,760	14,349,251	16,690,352	21,210,069	22,787,242	8,707,465	8,756,301
Other disclosures								
Revenue	12,230,503	11,497,972	24,982,372	27,880,147	92,254,297	81,757,774	28,430,683	22,560,983
Profit for the year	5,189,218	4,065,681	3,797,043	5,547,921	8,007,296	10,661,650	7,023,924	5,182,027
Profit for the year attributable to shareholders of the associates	5,189,218	4,065,681	1,374,151	4,275,940	6,816,935	9,494,270	7,023,924	5,182,027
Other comprehensive profit/(loss) for the year	–	–	(2,827,912)	305,556	(7,782,190)	3,211,972	–	–
Other comprehensive profit/(loss) for the year attributable to shareholders of the associates	–	–	(5,394,240)	955,140	(6,982,579)	2,793,880	–	–
Share of the associates' profit for the year	2,075,687	1,626,272	565,188	1,720,336	1,556,175	2,166,193	1,404,785	1,036,405
Share of the associates' other comprehensive profit/(loss) for the year	–	–	(2,218,651)	388,360	(1,638,812)	672,955	–	–
Dividend received/receivable by the Group	982,367	1,774,162	570,806	693,244	699,275	680,690	2,393,392	895,120

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22. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

* The statutory financial year end date of China Gas is 31 March, which is not coterminous with that of the Company's financial year end date. The financial statements for the twelve months ended 30 September 2022 are the latest financial statements of China Gas available for equity accounting by the Group. Accordingly, the financial period end of the financial statements of China Gas for which the equity accounting method was used for the year ended 31 December 2022 is as of 30 September 2022 or for the twelve months ended 30 September 2022.

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

	2022 HK\$'000	2021 HK\$'000
Share of the associates' profit/(loss) for the year	272,528	(236,664)
Share of net assets of the associates, net of impairment	4,892,194	3,078,290
Goodwill on acquisition recognised by the Group, net of impairment	445,964	446,081

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK\$'000	2021 HK\$'000
Listed equity investments, at fair value		
– Beijing Jingneng Clean Energy Co., Limited	362,414	498,319
– Biosino Bio-Technology and Science Incorporation	34,615	46,335
– CNPC Capital Company Limited	1,557,501	1,554,432
	1,954,530	2,099,086
Unlisted equity investments, at fair value	299,034	703,750
	2,253,564	2,802,836

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature, and therefore, they are classified as non-current assets in these financial statements.

At the date of approval of these financial statements, the fair value of the above listed equity investments of the Group, based on their then quoted market prices, amounted to approximately HK\$2.4 billion (2021: HK\$1.9 billion).

NOTES TO FINANCIAL STATEMENTS

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24. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK\$'000	2021 HK\$'000
Unlisted fund investment (<i>note</i>)	–	2,523,115

Note: This fund investment was mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

25. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Raw materials	4,218,614	4,471,843
Work in progress	313,624	295,435
Finished goods	1,148,393	1,451,667
	5,680,631	6,218,945

26. TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	5,916,333	7,020,673
Impairment (<i>note (d)</i>)	(354,699)	(360,987)
	5,561,634	6,659,686

Notes:

- (a) Included in the Group's trade receivables as at 31 December 2022 were aggregate amounts of HK\$60,782,000 (2021: HK\$43,500,000) and HK\$55,767,000 (2021: HK\$75,890,000) due from fellow subsidiaries and a joint venture of the Group, arising from transactions carried out in the ordinary course of business of the Group, respectively. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the Group to its major customers.
- (b) At 31 December 2022, trade receivables amounting to HK\$39,818,000 (2021: HK\$178,582,000) were pledged to secure certain bank loans (*note 34(c)*).

NOTES TO FINANCIAL STATEMENTS

31 December 2022

26. TRADE RECEIVABLES *(Continued)*

Notes: (Continued)

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

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2022 HK\$'000	2021 HK\$'000
Billed:		
Within one year	1,887,941	3,877,465
One to two years	172,132	52,286
Two to three years	20,784	18,103
Over three years	6,387	12,600
	2,087,244	3,960,454
Unbilled*	3,474,390	2,699,232
	5,561,634	6,659,686

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

- (d) The movements in the impairment of trade receivables during the year are as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	360,987	269,157
Impairment losses recognised during the year, net	56,676	93,441
Amount written off as uncollectible	(54,729)	(7,684)
Exchange realignment	(8,235)	6,073
At 31 December	354,699	360,987

NOTES TO FINANCIAL STATEMENTS

31 December 2022

26. TRADE RECEIVABLES *(Continued)*

Notes: (Continued)

(d) *(Continued)*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on invoice dates for groupings of various customer segments with similar loss patterns. 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 forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

At 31 December 2022

	Unbilled	Billed				Total
		Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Gross carrying amount (HK\$'000)	3,487,972	1,945,408	227,672	25,551	229,730	5,916,333
Expected credit losses (HK\$'000)	13,582	57,467	55,540	4,766	223,344	354,699
Expected credit loss rate	0.39%	2.95%	24.39%	18.65%	97.22%	6.00%

At 31 December 2021

	Unbilled	Billed				Total
		Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Gross carrying amount (HK\$'000)	2,710,093	3,946,821	64,676	24,313	274,770	7,020,673
Expected credit losses (HK\$'000)	10,861	69,356	12,390	6,210	262,170	360,987
Expected credit loss rate	0.40%	1.76%	19.16%	25.54%	95.41%	5.14%

NOTES TO FINANCIAL STATEMENTS

31 December 2022

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2022 HK\$'000	2021 HK\$'000
Prepayments		2,621,555	3,453,997
Deposits and other receivables	(a)	2,394,005	2,417,776
Due from holding companies	28	1,685,984	1,666,348
Due from fellow subsidiaries	28	331,659	293,259
Due from associates	28	1,515,178	538,282
Contract assets	(b)	1,017,253	646,833
Listed equity securities at fair value through profit or loss	(c)	126	–
Certificates of deposit	(d)	3,238,636	–
		12,804,396	9,016,495
Impairment	(e)	(372,593)	(355,658)
		12,431,803	8,660,837
Portion classified as current assets		(7,723,886)	(5,837,534)
		4,707,917	2,823,303
Non-current portion			

Notes:

- (a) The Group's deposits and other receivables as at 31 December 2022 and 2021 included, inter alia, the following:
- (i) certain deposits of HK\$250,870,000 (2021: HK\$258,217,000) in total paid for the construction or purchase of buildings, gas pipelines, equipment and machinery, which were classified as non-current assets;
 - (ii) a deposit of EUR2 million (equivalent to approximately HK\$17 million) (2021: EUR2 million (equivalent to approximately HK\$18 million)) paid to a bank for securing certain bank facilities granted. Such deposit will be refunded upon the expiry of the banking facilities (note 34(c)); and
 - (iii) certain advances of HK\$38,266,000 (2021: Nil) in total provided to a non-controlling equity holder of a subsidiary of the Group. The balance is unsecured, interest-free and repayable on demand.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

Notes: (Continued)

- (b) Contract assets of the Group as at the end of the reporting period are as follows:

	31 December 2022 HK\$'000	31 December 2021 HK\$'000	1 January 2021 HK\$'000
Contract assets	6,482,010	5,171,327	3,414,945
Less: Non-current portion classified in operating concession and receivables under service concession arrangements <i>(note 18(c))</i>	(5,464,757)	(4,524,494)	(2,812,238)
Current portion	1,017,253	646,833	602,707

Contract assets mainly arise from solid waste treatment service contracts and are initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of the construction services. The increases in contract assets in 2022 and 2021 were the result of the increase in the provision of construction services close to the end of each of these years.

The expected timing of recovery or settlement for the contract assets included in current assets as at the end of the reporting period is as follows:

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Within one year	1,014,594	643,979
After one year	2,659	2,854
Total contract assets included in prepayments, other receivables and other assets	1,017,253	646,833

- (c) These equity securities were classified as financial assets at fair value through profit or loss as they were held for trading.
- (d) At 31 December 2022, the Group held certificates of deposit issued by banks in Mainland China with various maturity periods which range from over 1 year to over 3 years. These certificates of deposit can be withdrawn or sold before maturity.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

Notes: (Continued)

- (e) In respect of impairment consideration of the Group's other 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. At 31 December 2022, the probability of default rates applied for other receivables ranged from 0.05% to 0.10% (2021: 0.04% to 0.10%) and the loss given default rates estimated range from 61.60% to 64.90% (2021: 57.70% to 64.90%).

In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The movements in the impairment of other receivables during the year are as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	355,658	428,246
Impairment losses recognised during the year, net	17,396	22,305
Amount written off as uncollectible	(676)	(95,610)
Exchange realignment	215	717
At 31 December	372,593	355,658

Other than those mentioned above, the remaining balances of financial assets and contract assets relate to counter parties for which there was no recent history of default and past due amounts. At 31 December 2022 and 2021, the loss allowance of these balances was assessed to be minimal.

28. BALANCES WITH RELATED PARTIES

The balances with holding companies, fellow subsidiaries, associates and non-controlling equity holders of subsidiaries are unsecured, interest-free and repayable on demand, except for interest-bearing loans of HK\$1,672 million (2021: HK\$1,549 million) advanced from an associate, further details of which are set out in note 34(b)(ii) to the financial statements.

The trade balances with fellow subsidiaries and a joint venture of the Group included in trade receivables and trade and bills payables are disclosed in notes 26(a) and 40 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

29. RESTRICTED CASH AND PLEDGED DEPOSITS

	Notes	2022 HK\$'000	2021 HK\$'000
Restricted cash	(a)	164,472	29,222
Pledged deposits	(b)	7,468	6,736
Restricted cash and pledged deposits		171,940	35,958

Notes:

- (a) Restricted cash of the Group included:
- (i) the proceeds of a government surcharge of HK\$27,230,000 (2021: HK\$29,222,000) collected prior to 2003 by Beijing Gas, a wholly-owned subsidiary indirectly held by the Company, from piped gas customers on behalf of the Beijing Municipal Commission of Development and Reform (the "BMCDR"). The proceeds held on behalf of the BMCDR, which are deposited in a specific bank account of the Group, together with any interest earned therefrom, are repayable to the BMCDR (note 41(a)(i));
 - (ii) the savings fund for migrant workers of HK\$7,109,000 (2021: Nil), which are required by PRC local government and cannot be used for daily operations; and
 - (iii) a certificate of deposit with maturity of less than one year and a principal amount of RMB100,560,000 (equivalent to HK\$114,273,000) which cannot be withdrawn or sold before maturity.
- (b) Bank balances of HK\$6,920,000 (2021: HK\$6,736,000) as at 31 December 2022 were pledged to secure certain bank loans granted to the Group (note 34(c)). In addition, security deposits of HK\$548,000 (2021: Nil) were pledged to government authorities and a customer for the provision of construction and related services.

30. CASH AND CASH EQUIVALENTS

	2022 HK\$'000	2021 HK\$'000
Cash and bank balances other than time deposits	22,212,138	21,587,059
Saving deposits placed in a financial institution (an associate of the Group) (note 47(a)(x))	705,454	362,944
Time deposits:		
Placed in banks	7,290,477	9,618,653
Placed in a financial institution (an associate of the Group) (note 47(a)(x))	1,311,132	1,706,101
	31,519,201	33,274,757
Less: Restricted cash and pledged deposits (note 29)	(171,940)	(35,958)
Cash and cash equivalents	31,347,261	33,238,799

NOTES TO FINANCIAL STATEMENTS

31 December 2022

30. CASH AND CASH EQUIVALENTS *(Continued)*

Notes:

- (a) At 31 December 2022, the cash and deposit balances of the Group denominated in RMB amounted to HK\$29.2 billion (2021: HK\$33.2 billion). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, 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.
- (b) Cash at banks and a financial institution earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between seven days and one year (2021: seven days and two years) depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The saving and time deposits are deposited with creditworthy banks and a financial institution with no recent history of default.
- (c) On 30 November 2022, a subsidiary of the Group has obtained a new bank loan of RMB469,032,000 (equivalent to HK\$532,991,000) in the PRC for the purpose of refinancing its existing loan facility and amount of which was included in the cash and bank balances. Subsequent to the reporting period, on 7 March 2023, the new bank loan was fully repaid.

31. SHARE CAPITAL

	2022 HK\$'000	2021 HK\$'000
Issued and fully paid:		
1,260,203,268 ordinary shares (2021: 1,262,053,268) ordinary shares	30,401,883	30,401,883

A summary of a movement in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000
At 1 January, 31 December 2021 and 1 January 2022	1,262,053,268	30,401,883
Shares repurchased and cancelled (<i>note</i>)	(1,850,000)	–
At 31 December 2022	1,260,203,268	30,401,883

Note: During the year ended 31 December 2022, the Company repurchased a total of 1,850,000 ordinary shares of the Company on the Hong Kong Stock Exchange at a weighted average cost of HK\$24.52 per share. All the repurchased shares were cancelled by the Company during the year and the total amount paid for the repurchase of these shares of approximately HK\$45,362,000 has been charged to retained profits of the Company in accordance with section 257 of the Hong Kong Companies Ordinance.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

32. SHARE OPTION SCHEME OF A SUBSIDIARY

BEEGL, a subsidiary of the Group, operates a share option scheme (the “BEEGL Scheme”) for the purpose of (i) attracting and retaining the best quality personnel for the development of its business; (ii) providing incentives and rewards to eligible participants; and (iii) promoting the long term financial success of BEEGL by aligning the interests of grantees to its shareholders. Eligible participants of the BEEGL Scheme include (i) any person employed by BEEGL or a subsidiary of BEEGL and any person who is an officer or director (whether executive or non-executive) of BEEGL or any subsidiary of BEEGL; (ii) any non-executive director and any independent non-executive director, or officer of any member of BEEGL and its subsidiaries (collectively referred to as the “BEEGL Group”); and (iii) any consultant of any member of the BEEGL Group. The BEEGL Scheme became effective on 31 May 2011 and, unless otherwise cancelled or amended, would remain in force for 10 years from that date.

The maximum number of unexercised share options permitted to be granted under the BEEGL Scheme is an amount equivalent, upon their exercise, to 10% of the number of ordinary shares of BEEGL in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the BEEGL Scheme within any 12-month period is limited to 1% of the ordinary shares of BEEGL in issue at any time. Any further grant of share options in excess of these limits is subject to shareholders’ approval in a general meeting.

Share options granted to a director or chief executive of BEEGL, or to any of their associates, are subject to approval in advance by its independent non-executive directors. In addition, any share options granted to an independent non-executive director of BEEGL, or to any of their associates, in excess of 0.1% of the ordinary shares of BEEGL in issue at any time or with an aggregate value (based on the price of the BEEGL’s ordinary shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting of BEEGL.

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 is determinable by the directors of BEEGL, and commences after the acceptance of the share options or a certain vesting period, if any, and ends on a date which is not later than ten years from the date on which the offer of the share options is granted.

The exercise price of share options is determinable by the directors of BEEGL, but may not be less than the higher of (i) the closing price of BEEGL’s shares on the Hong Kong Stock Exchange on the date of offer of the share options; and (ii) the average closing price of BEEGL’s shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings of BEEGL. The share options are non-transferrable and lapse when they expire or within three months from the date on which the grantee ceases to be an employee of the BEEGL Group.

The BEEGL Scheme expired on 20 June 2021. In respect of the 37,620,000 share options granted under the BEEGL Scheme and outstanding as at 1 January 2021, 6,770,000 share options were forfeited on 3 January 2021 upon the expiry of the 12-month post-retirement exercisable period of a former executive director of BEEGL and the remaining 30,850,000 share options lapsed on 20 June 2021 upon the expiry of the 10-year exercisable period.

There was no share option granted under the BEEGL Scheme which remained outstanding as at 31 December 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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 capital reserve of the Group includes (i) gains or losses on acquisition of the non-controlling interests of existing subsidiaries and/or disposal of partial interests in subsidiaries without a loss of control; (ii) share of capital reserves of associates; and (iii) share of share option reserves of associates.
- (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 PRC subsidiaries, joint ventures and associates. Other reserves are the reserves for future enhancement of safety production environment and improvement of facilities as required by the Ministry of Finance and Safety Production General Bureau of the PRC and is not available for distribution to shareholders. None of the Group's PRC reserve funds and other reserves as at 31 December 2022 were distributable in the form of cash dividends.

34. BANK AND OTHER BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Bank loans:		
Secured	4,242,538	2,878,986
Unsecured	45,722,183	28,884,698
	49,964,721	31,763,684
Other loans:		
Unsecured	6,057,943	5,213,404
Total bank and other borrowings	56,022,664	36,977,088
Portion classified as current liabilities	(24,613,662)	(9,179,370)
Non-current portion	31,409,002	27,797,718

NOTES TO FINANCIAL STATEMENTS

31 December 2022

34. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

- (a) The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	2022 HK\$'000	2021 HK\$'000
HK\$	27,248,820	20,620,808
RMB	8,180,741	8,923,898
US\$	6,825,460	3,918,001
EUR	13,767,643	3,514,381
	56,022,664	36,977,088

- (b) The Group's bank and other borrowings as at 31 December 2022 included the following:

- (i) amortised cost of an interest-free loan of HK\$131,733,000 (2021: HK\$141,372,000) granted by a non-controlling equity holder of a subsidiary;
- (ii) loans of HK\$1,672 million (2021: HK\$1,549 million) in total advanced from an associate, which are unsecured, bear interest at rates ranging from 3.80% to 4.65% (2021: 3.80% to 4.75%) per annum and are repayable in 2023 to 2031. Interest expenses of HK\$39,874,000 (2021: HK\$50,112,000) were recognised in profit or loss during the year in respect of these loans (note 47(a)(x)); and
- (iii) bank and other loans with an aggregate carrying amount of HK\$5,190,376,000 (2021: HK\$4,318,006,000) advanced from Asian Infrastructure Investment Bank and New Development Bank which were obtained to finance certain of the Group's pipeline construction projects and a LNG emergency reserve project. These loans bear interest at rates of SOFR+1.70% and EURIBOR+0.85% (2021: LIBOR+1.70% and EURIBOR+0.85%) per annum, respectively.

- (c) The Group's secured bank and other loans are secured by the following assets:

		Carrying amount 2022 HK\$'000	2021 HK\$'000
	Notes		
Buildings	14(a)	358,550	284,457
Gas pipelines	14(a)	451,518	293,854
Operating concessions	18(a)	1,988,327	2,171,663
Receivables under service concession arrangements	18(a)	1,070,492	1,186,678
Trade receivables	26(b)	39,818	178,582
Deposit paid to a bank	27(a)(ii)	16,720	17,660
Bank balances	29(b)	6,920	6,736

In addition to the pledge of assets given above, bank loans with a total carrying amount of HK\$1,254,000,000 (2021: HK\$1,324,500,000) as at 31 December 2022 are guaranteed by the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

34. BANK AND OTHER BORROWINGS *(Continued)*

Notes: (Continued)

- (d) The loan agreements in respect of certain bank loans outstanding as at 31 December 2022 include certain conditions imposing specific performance obligations on the Company's holding companies, among which the following events would constitute events of default on the loan facilities:
- (i) if Beijing Enterprises Group does not or ceases to own, directly or indirectly, at least 40% or 50% of the beneficiary interest of the Company; and
 - (ii) if Beijing Enterprises Group ceases to be controlled and supervised by the Beijing Municipal Government.

A summary of these bank loans as at 31 December 2022 is as follows:

	Year of drawdown	Contractual interest rate per annum	Final maturity
US\$160 million revolving loan	2019	1-month HIBOR/SOFR/EURIBOR+0.8%	22 May 2033
EUR80 million revolving loan	2019	1-month HIBOR+0.7%/EURIBOR+0.6%	8 May 2033
HK\$1,000 million revolving loan	2020	1-month HIBOR+0.55%	22 June 2033
HK\$1,000 million revolving loan	2020	1-month HIBOR+0.7%	22 June 2033
Five-year HK\$4 billion term loan	2020	1-month HIBOR+1.1%	27 November 2025
Five-year HK\$2 billion term loan	2021	1-month HIBOR+1.1%	18 February 2026
Five-year HK\$4 billion term loan	2021	1-month HIBOR+1.1%	18 June 2026
Five-year HK\$4.2 billion term loan	2021	1-month HIBOR+1.05%	19 November 2026
Five-year HK\$2 billion term loan	2021	1-month HIBOR+1.05%	3 December 2026
Five-year HK\$4 billion term loan	2022	1-month HIBOR+0.92%	7 July 2027
EUR160 million bridge loan	2022	1-month EURIBOR+0.2%	11 April 2023
EUR300 million bridge loan	2022	1-month EURIBOR+0.65%	14 April 2023
EUR200 million bridge loan	2022	1-month EURIBOR+0.55%	10 April 2023
EUR200 million bridge loan	2022	1-month EURIBOR+0.55%	10 April 2023
EUR170 million bridge loan	2022	1-month EURIBOR+0.75%	18 April 2023
EUR50 million bridge loan	2022	1-month EURIBOR+0.7%	4 April 2023
EUR200 million bridge loan	2022	1-month EURIBOR+0.25%	6 April 2023
EUR100 million bridge loan	2022	1-month EURIBOR+0.35%	18 April 2023
HK\$1,000 million revolving loan	2022	1-month HIBOR+0.8%	2 November 2023
EUR300 million revolving loan	2022	1-month EURIBOR+0.75%	28 April 2023
HK\$1,000 million revolving loan	2022	1-month HIBOR+1%	10 November 2023

To the best knowledge of the directors, none of the above default events took place during the year and as at the date of approval of these financial statements.

- (e) Included in the secured bank loans was an amount of RMB469,032,000 (equivalent to HK\$532,991,000) obtained by a subsidiary of the Group on 30 November 2022 from a bank in the PRC for the purpose of refinancing its existing loan facility. Subsequent to the reporting period, on 7 March 2023, the new bank loan was fully repaid.

NOTES TO FINANCIAL STATEMENTS

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35. GUARANTEED BONDS AND NOTES

A summary of the guaranteed bonds and notes issued by the Group and outstanding as at the end of the reporting period is as follows:

	Principal at original currency 'million	Contractual interest rate per annum	Maturity	2022 HK\$'000	2021 HK\$'000
2011 Second Senior Notes	US\$400	6.375%	2041	3,064,998	3,059,987
2012 Senior Notes	US\$800	4.5%	2022	–	6,217,965
2015 US\$ Bonds	US\$200	4.99%	2040	1,521,763	1,518,629
2017 EUR Bonds	EUR800	1.3%	2022	–	7,058,455
2017 Guaranteed Notes	US\$500	2.75%	2022	–	3,896,856
2020 Green Bonds	EUR500	1%	2025	4,153,397	4,377,755
EEW Green Bonds	EUR400	0.361%	2026	3,332,532	3,519,887
2021 US\$ Bonds	US\$300	2%	2026	2,325,677	2,316,208
2021 US\$ Bonds	US\$400	3.13%	2031	3,073,018	3,062,470
2022 Guaranteed Notes	US\$500	1.875%	2025	3,897,611	–
				21,368,996	35,028,212
Portion classified as current liabilities				–	(17,173,276)
Non-current portion				21,368,996	17,854,936

Except for the 2022 Guaranteed Notes and EEW Green Notes which are guaranteed by Beijing Gas and EEW, respectively, all the above guaranteed bonds and notes are guaranteed by the Company.

Further details of the guaranteed bonds and notes are set out in the Company's announcements dated 6 May 2011, 1 December 2015, 17 September 2020, 29 April 2021, 6 May 2021, and 31 August 2022, respectively.

The fair value of the Group's guaranteed bonds and notes as at 31 December 2022 was approximately HK\$19.8 billion (2021: approximately HK\$36.9 billion), based on price quotations from financial institutions at the reporting date.

NOTES TO FINANCIAL STATEMENTS

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36. DEFINED BENEFIT PLANS

Certain employees of Beijing Gas and the EEW Group, both being indirectly-held wholly-owned subsidiaries of the Company, are entitled to retirement benefits after retirement such as supplemental medical reimbursement, allowance and beneficiary benefits pursuant to their defined benefit plans. The plans are exposed to interest rate risk, health cost inflation rate and expected salary increase rate for the employees.

(a) Net benefit expense (recognised in administrative expenses)

	Supplemental post-retirement medical reimbursement plan <i>HK\$'000</i>	Supplemental post-retirement allowance and beneficiary benefit plans <i>HK\$'000</i>	Internal retirement benefit plan <i>HK\$'000</i>	Post- employment physical examination plan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022					
Current service cost	66,098	5,347	27,621	7,786	106,852
Past service cost	7,998	929	–	1,267	10,194
Interest cost	44,543	8,794	8,806	8,767	70,910
Net benefit expense	118,639	15,070	36,427	17,820	187,956
Year ended 31 December 2021					
Current service cost	53,978	5,198	13,108	7,012	79,296
Past service cost	52,692	25,912	–	20,808	99,412
Interest cost	41,542	9,023	6,859	8,670	66,094
Net benefit expense	148,212	40,133	19,967	36,490	244,802

NOTES TO FINANCIAL STATEMENTS

31 December 2022

36. DEFINED BENEFIT PLANS *(Continued)*

(b) Present value of the defined benefit obligations 2022

	Supplemental post-retirement medical reimbursement plan <i>HK\$'000</i>	Supplemental post-retirement allowance and beneficiary benefit plans <i>HK\$'000</i>	Internal retirement benefit plan <i>HK\$'000</i>	Post- employment physical examination plan <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022	1,444,378	289,664	867,744	286,384	2,888,170
Net benefit expenses recognised in profit or loss	118,639	15,070	36,427	17,820	187,956
Benefits paid	(13,191)	(9,538)	(17,801)	(3,879)	(44,409)
Actuarial gains on obligations, recognised in other comprehensive income	(128,326)	(5,941)	(424,093)	(12,674)	(571,034)
Exchange realignment	(97,959)	(19,741)	(51,598)	(19,555)	(188,853)
At 31 December 2022	1,323,541	269,514	410,679	268,096	2,271,830
Portion classified as current liabilities included in other payables, accruals and contract liabilities <i>(note 41)</i>					(26,072)
Non-current portion					2,245,758

NOTES TO FINANCIAL STATEMENTS

31 December 2022

36. DEFINED BENEFIT PLANS *(Continued)*

(b) Present value of the defined benefit obligations *(Continued)* 2021

	Supplemental post-retirement medical reimbursement plan <i>HK\$'000</i>	Supplemental post-retirement allowance and beneficiary benefit plans <i>HK\$'000</i>	Internal retirement benefit plan <i>HK\$'000</i>	Post- employment physical examination plan <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021	1,099,223	242,170	1,039,292	230,901	2,611,586
Net benefit expenses recognised in profit or loss	148,212	40,133	19,967	36,490	244,802
Benefits paid	(15,217)	(10,447)	(19,427)	(4,379)	(49,470)
Actuarial losses/(gains) on obligations, recognised in other comprehensive income	181,514	11,401	(105,651)	17,139	104,403
Exchange realignment	30,646	6,407	(66,437)	6,233	(23,151)
At 31 December 2021	1,444,378	289,664	867,744	286,384	2,888,170
Portion classified as current liabilities included in other payables, accruals and contract liabilities <i>(note 41)</i>					(30,478)
Non-current portion					2,857,692

At 31 December 2022, the expected contribution to be made within the next 12 months out of the defined benefit obligations was HK\$26,072,000 (2021: HK\$30,478,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2022

36. DEFINED BENEFIT PLANS *(Continued)*

(c) Principal assumptions

The most recent actuarial valuations of the present value of the defined benefit obligations for Beijing Gas and the EEW Group were carried out at 31 December 2022 by Willis Towers Watson (a member of the China Association of Actuaries) and Willis Towers Watson GmbH (a member of the German Actuarial Society), respectively, using the projected unit credit method. The material actuarial assumptions used in determining the defined benefit obligations under the Group's plans are as follows:

	2022	2021
Beijing Gas:		
Discount rate	3.25%	3.25%
Healthcare cost inflation rate	7.00%	7.00%
EEW Group:		
Discount rate	3.70%	1.10%
Salary increase rate	2.50%	2.50%

NOTES TO FINANCIAL STATEMENTS

31 December 2022

36. DEFINED BENEFIT PLANS *(Continued)*

(c) Principal assumptions *(Continued)*

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022 and 2021 is shown below:

	Increase in rate %	Increase/ (decrease) in net defined benefit obligations HK\$'000	Decrease in rate %	Increase/ (decrease) in net defined benefit obligations HK\$'000
<u>Beijing Gas</u>				
2022				
Discount rate	0.25	(110,541)	0.25	120,714
Healthcare cost inflation rate	1.00	417,538	1.00	(297,994)
2021				
Discount rate	0.25	(120,943)	0.25	132,106
Healthcare cost inflation rate	1.00	336,383	1.00	(326,910)
<u>EEW Group</u>				
2022				
Discount rate	0.25	(25,887)	0.25	29,386
Salary increase rate	0.50	1,498	0.50	(1,432)
2021				
Discount rate	0.25	(58,442)	0.25	63,646
Salary increase rate	0.50	4,156	0.50	(3,976)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

37. PROVISION FOR MAJOR OVERHAULS AND ONEROUS CONTRACTS

Pursuant to the service concession arrangements on the Group's environmental operations in Mainland China, the Group has contractual obligations to maintain the infrastructures it operates to a specified level of serviceability and/or to restore the infrastructures to a specified condition before they are handed over to the grantor at the end of the service concession periods. In addition, pursuant to the contractual arrangement for one of the Group's solid waste incineration plants in Germany, the Group is obliged to demolish the solid waste incineration plant in 2025. These contractual obligations to demolish plant, maintain or restore the infrastructures, 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 expenditures on these maintenance, demolition and restoration costs are collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis and revised where appropriate.

In addition, onerous contracts also arise from solid waste treatment service contracts in respect of the environmental operations in Germany. Management considers the unavoidable costs of meeting the obligations under certain of these contracts exceed the economic benefits expected to be recovered under such contracts.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

37. PROVISION FOR MAJOR OVERHAULS AND ONEROUS CONTRACTS *(Continued)*

The movements in the provision for major overhauls of the infrastructures and onerous contracts in respect of the solid waste treatment service contracts during the year are as follows:

	Provision for		
	Major overhauls	Onerous contracts	Total
	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2022			
At 1 January 2022	237,966	188,035	426,001
Reversal of provision, net	(98,175)	–	(98,175)
Increase in discounted amounts arising from the passage of time	1,324	–	1,324
Exchange realignment	(13,808)	(10,009)	(23,817)
At 31 December 2022	127,307	178,026	305,333
Portion classified as current liabilities	–	(47,426)	(47,426)
Non-current portion	127,307	130,600	257,907
Year ended 31 December 2021			
At 1 January 2021	262,350	201,663	464,013
Reversal of provision, net	(10,865)	–	(10,865)
Increase in discounted amounts arising from the passage of time	518	–	518
Amounts utilised during the year	(235)	–	(235)
Exchange realignment	(13,802)	(13,628)	(27,430)
At 31 December 2021	237,966	188,035	426,001
Portion classified as current liabilities	–	(50,093)	(50,093)
Non-current portion	237,966	137,942	375,908

NOTES TO FINANCIAL STATEMENTS

31 December 2022

38. OTHER NON-CURRENT LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Other liabilities – non-current portion (<i>note 41</i>)	415,241	191,911
Deferred income (<i>note</i>)	1,719,538	1,782,381
	2,134,779	1,974,292

Note: Deferred income of the Group mainly represented government subsidies in respect of the construction of gas pipelines and brewery plants in Mainland China by the Group. The subsidies are interest-free and not required to be repaid, and 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 and liabilities recognised in the consolidated statement of financial position are as follows:

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets	1,784,822	2,102,515
Deferred tax liabilities	(2,376,864)	(2,497,220)
	(592,042)	(394,705)

NOTES TO FINANCIAL STATEMENTS

31 December 2022

39. DEFERRED TAX *(Continued)*

The components of deferred tax assets and liabilities and their movements during the years ended 31 December 2022 and 2021 are as follows:

	Attributable to												
		Fair value adjustments arising from acquisition of subsidiaries	Transfer of assets from customers	Depreciation allowances in excess of related depreciation	Revaluation of investment properties	Revaluation of equity investments at fair value through other comprehensive income	Impairment provision and accrued expenses	Defined benefit obligations	Provision for major overhauls and onerous contracts	Temporary differences related to operating concessions	Losses available for offsetting future taxable profits	Withholding tax on unremitted profits	Net deferred tax assets/ (liabilities)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note (a))	HK\$'000 (note (b))	HK\$'000
At 1 January 2021		(1,895,941)	(128,589)	(43,352)	(115,692)	66,125	996,037	561,009	87,809	(279,686)	19,151	(122,025)	(855,154)
Deferred tax credited/(charged) to profit or loss during the year	11	115,949	(8,065)	(26,038)	–	–	47,405	9,467	296	(9,514)	(4,839)	–	124,661
Deferred tax credited to other comprehensive income during the year		–	–	–	–	119,554	–	20,901	–	–	–	–	140,455
Exchange realignment		104,703	(3,235)	7,017	(2,822)	10,272	95,309	(6,890)	(5,070)	(3,519)	(432)	–	195,333
At 31 December 2021 and 1 January 2022		(1,675,289)	(139,889)	(62,373)	(118,514)	195,951	1,138,751	584,487	83,035	(292,719)	13,880	(122,025)	(394,705)
Deferred tax credited/(charged) to profit or loss during the year	11	148,419	521	(33,226)	–	–	(5,146)	11,649	287	(7,342)	–	–	115,162
Deferred tax charged to other comprehensive income during the year		–	–	–	–	(27,897)	–	(164,374)	–	–	–	–	(192,271)
Acquisition of subsidiaries	43	(121,586)	–	–	–	–	–	–	–	–	–	–	(121,586)
Transfer to liabilities of disposal groups classified as held for sale	44	–	–	333	–	–	–	–	–	–	–	–	333
Exchange realignment		79,342	9,526	4,609	8,080	(48,338)	(54,370)	(1,703)	(4,573)	9,271	(819)	–	1,025
At 31 December 2022		(1,569,114)	(129,842)	(90,657)	(110,434)	119,716	1,079,235	430,059	78,749	(290,790)	13,061	(122,025)	(592,042)

Notes:

- (a) At 31 December 2022, deferred tax assets have not been recognised in respect of unused tax losses of HK\$4,746,750,000 (2021: HK\$5,385,728,000) as they have been arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, tax losses of HK\$4,725,110,000 (2021: HK\$5,364,088,000) will expire in one to five years.
- (b) Pursuant to income tax laws of the PRC, Germany, Luxembourg and Russia, withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in these countries. Lower withholding tax rates may be applied if there is a tax treaty between these countries and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends declared by those subsidiaries, joint ventures and associates established in these countries.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

39. DEFERRED TAX *(Continued)*

Notes: (Continued)

(b) *(Continued)*

The withholding tax rates applicable to the Group are as follows:

Entities established in Mainland China	5%-10%
Entities established in Germany	25%
Entities established in Luxembourg	15%
Entities established in Russia	5%

Deferred tax has not been fully recognised for withholding taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries established in Mainland China, Germany, Luxembourg and Russia that are subject to withholding taxes. In the opinion of the Company's directors, it is not probable that these subsidiaries will distribute these unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries in Mainland China, Germany, Luxembourg and Russia for which deferred tax liabilities have not been recognised totalled approximately HK\$44 billion (2021: HK\$42 billion) as at 31 December 2022.

(c) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

40. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 HK\$'000	2021 HK\$'000
Billed:		
Within one year	4,262,278	3,462,533
One to two years	246,742	155,691
Two to three years	18,311	8,808
Over three years	17,825	20,697
	4,545,156	3,647,729
Unbilled*	1,004,092	678,406
	5,549,248	4,326,135

* The unbilled balance was attributable to (i) purchase of natural gas near the year end which was billed subsequently in early January 2023; (ii) accrued extra purchase costs which will be billed when the price is agreed by Beijing Gas with the supplier; and (iii) accrued construction costs for solid waste incineration plant and ecological construction services which have not been billed by the suppliers.

Included in the trade and bills payables as at 31 December 2022 are amounts of HK\$55,867,000 (2021: HK\$7,176,000) in total due to fellow subsidiaries, arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within credit periods similar to those offered by the related parties to their major customers.

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41. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	Notes	2022 HK\$'000	2021 HK\$'000
Accruals		1,785,723	2,044,857
Defined benefit obligations – current portion	36(b)	26,072	30,478
Other liabilities	(a)	10,431,910	8,877,899
Due to holding companies	28	2,476,073	2,659,863
Due to fellow subsidiaries	28	777,251	587,505
Due to associates	28	64,470	69,188
Due to a non-controlling equity holder of a subsidiary	28	262,871	256,128
Contract liabilities	(b)	10,022,042	12,736,183
		25,846,412	27,262,101
Portion classified as current liabilities		(25,431,171)	(27,070,190)
Non-current portion	38	415,241	191,911

Notes:

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

- (i) an amount of HK\$27,230,000 (2021: HK\$29,222,000) payable to the BMC DR in respect of a government surcharge collected on its behalf by the Group, further details of which are set out in note 29(a)(i) to the financial statements; and
- (ii) construction costs of HK\$302,066,000 (2021: HK\$332,717,000) payable to certain fellow subsidiaries of the Group, which are unsecured, interest-free, and are repayable within credit periods similar to those offered by the fellow subsidiaries to their major customers.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

41. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES *(Continued)*

Notes: (Continued)

(b) Details of contract liabilities are as follows:

	31 December 2022 HK\$'000	31 December 2021 HK\$'000	1 January 2021 HK\$'000
<i>Short-term advances received from customers in respect of:</i>			
Sale of piped natural gas	8,302,545	11,012,025	10,296,452
Sale of brewery products	1,580,799	1,637,832	1,323,950
Provision of solid waste treatment services	138,698	86,326	37,879
Total contract liabilities	10,022,042	12,736,183	11,658,281

Over 90% of the contract liabilities as at the end of each of the reporting period are expected to be recognised as revenue in the following year.

Decrease in contract liabilities in 2022 was mainly due to decrease in short-term advances received from customers in relation to the sale of piped natural gas at the end of the year.

42. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Yanjing Investment (a 79.77% owned subsidiary which holds 57.40% equity interests in Yanjing Brewery) and its subsidiaries (collectively the “Yanjing Investment Group”) were considered subsidiaries that have material non-controlling interests during the years ended 31 December 2022 and 2021, and summary financial information of which is set out below:

	2022 HK\$'000	2021 HK\$'000
Consolidated profit for the year allocated to non-controlling interests	393,049	315,562
Dividends paid to non-controlling equity holders	223,062	206,301
Accumulated balances of non-controlling interests at the reporting date	8,886,251	9,243,614

NOTES TO FINANCIAL STATEMENTS

31 December 2022

42. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(Continued)

The following tables illustrate the summarised consolidated financial information of the Yanjing Investment Group:

	2022 HK\$'000	2021 HK\$'000
Revenue	14,800,260	12,806,519
Total expenses	(14,275,216)	(12,406,865)
Profit for the year	525,044	399,654
Total comprehensive income/(loss) for the year	(132,535)	584,109
Current assets	12,945,721	11,821,781
Non-current assets	11,623,333	12,936,252
Current liabilities	(8,984,995)	(8,464,902)
Non-current liabilities	(713,782)	(651,501)
Net cash flows from operating activities	1,699,979	1,828,988
Net cash flows from/(used in) investing activities	(656,722)	76,465
Net cash flows from/(used in) financing activities	66,918	(243,400)
Net increase in cash and cash equivalents	1,110,175	1,662,053

* The amounts disclosed above are before any inter-company eliminations.

43. BUSINESS COMBINATION

During the year ended 31 December 2022, the Group acquired an additional 25.24% equity interest in Blue Sky, a former associate of the Group, by way of subscription of new shares of Blue Sky for a cash consideration of HK\$500,000,000 and transferring the equity interest in a group of subsidiaries to Blue Sky in exchange for new shares of Blue Sky. Upon completion of these transactions on 30 December 2022, the effective equity interest of Blue Sky held by the Group increased from 41.13% to 66.37% and Blue Sky has become a subsidiary of the Group since then.

Blue Sky and its subsidiaries (the "Blue Sky Group") are principally engaged in the business of distribution and sale of natural gas to residential, industrial and commercial consumers through pipelines, sale of gas-related equipment, LNG supply to industrial end users, trading and distribution of CNG and LNG and operation of CNG and LNG refueling stations for vehicles in Mainland China.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

43. BUSINESS COMBINATION *(Continued)*

The fair values of the identifiable assets and liabilities of the Blue Sky Group acquired and assumed as at the date of acquisition were as follows:

	Notes	2022 HK\$'000
Net assets acquired:		
Property, plant and equipment	14	617,175
Investment properties	15	73,601
Right-of-use assets	16(b)	47,756
Other intangible assets	19	65,947
Investments in joint ventures		29,193
Investments in associates		2,296,767
Equity investments at fair value through other comprehensive income		474
Financial assets at fair value through profit and loss		127
Inventories		20,255
Trade receivables		111,821
Prepayments, other receivables and other assets		663,381
Other tax recoverable		1,041
Restricted cash and pledged deposits		16,051
Cash and cash equivalents		554,062
Trade and bills payables		(131,039)
Other payables, accruals and contract liabilities		(301,596)
Income tax payable		(61,715)
Bank and other borrowings		(2,770,788)
Lease liabilities	16(b)	(15,047)
Deferred tax liabilities	39	(121,586)
Total identifiable net assets acquired at fair value		1,095,880
Non-controlling interests		(549,417)
Goodwill on acquisition	17	575,926
		1,122,389
Satisfied by:		
Cash		500,000
Transfer of a subsidiary into the Blue Sky Group		72,261
Fair value of the 41.13% equity interest of Blue Sky held by the Group before the business combination		550,128
		1,122,389

NOTES TO FINANCIAL STATEMENTS

31 December 2022

43. BUSINESS COMBINATION *(Continued)*

An analysis of the cash flows in respect of the acquisition of the Blue Sky Group is as follows:

	2022 <i>HK\$'000</i>
Cash consideration paid	(500,000)
Cash and cash equivalents acquired	554,062
Net inflow of cash and cash equivalents included in cash flows from investing activities	54,062

Notes:

- (a) Up to the date of approval of these financial statements, the Group had not completed the fair value measurement of the identifiable net assets of the Blue Sky Group and the initial accounting for the acquisition was incomplete as at 31 December 2022. The fair values of the assets and liabilities and goodwill on acquisition disclosed above represented the provisional amounts estimated by the directors of the Company.
- (b) Since the acquisition, no revenue and profit were contributed by the Blue Sky Group to the Group's revenue and the consolidated profit for the year ended 31 December 2022.

Had the above business combination taken place at the beginning of the year, the Group's profit for the year would have been HK\$8,257,605,000 and the Group's revenue would have been HK\$93,903,704,000.

44. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2022, the Group has been negotiating with the joint venture partner of Yanjing Investment, a 79.77% owned subsidiary of the Company, for the sale of the Group's 55%, 74.73% and 80% equity interests in 燕京啤酒(萊州)有限公司, 燕京啤酒(曲阜三孔)有限責任公司 and 燕京啤酒(長沙)有限公司 (collectively the "Disposal Groups"). Since the Company is a state-owned enterprise in Mainland China, the Disposal Groups constitute state-owned assets and the disposal of which is required to undergo the process of public tenders through an approved equity exchange in accordance with the relevant PRC laws and regulations governing the disposal of state-controlled assets. The disposal transactions will be carried out through China Beijing Equity Exchange ("CBEX") and the successful bidder(s) will enter into asset transaction agreements with the Group according to relevant rules and regulations of CBEX. The public tender process has been initiated but has not been completed as at the date of approval of these financial statements.

In light of this, the Disposal Groups are classified as held for sale as at 31 December 2022 in these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

44. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE *(Continued)*

The major classes of assets and liabilities of disposal groups classified as held for sale are as follows:

	Notes	2022 HK\$'000
Assets		
Property, plant and equipment	14	244,663
Right-of-use assets	16(b)	18,510
Inventories		144,909
Trade receivables		8,931
Prepayments, other receivables and other assets		9,711
Other tax recoverables		60
Cash and cash equivalents		41,027
Assets of disposal groups classified as held for sale		467,811
Liabilities		
Trade and bills payables		(87,490)
Other payables, accruals and contract liabilities		(139,706)
Other tax payables		(47,769)
Bank and other borrowings		(119)
Lease liabilities	16(b)	(1,458)
Other non-current liabilities		(555)
Deferred tax liabilities	39	(333)
Liabilities directly associated with the assets of disposal groups classified as held for sale		(277,430)
Net assets of disposal groups classified as held for sale		190,381

NOTES TO FINANCIAL STATEMENTS

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45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions of investing and financing activities

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$372,443,000 (2021: HK\$648,015,000) each in respect of lease arrangements for land, office premises, staff quarters, plant and machinery and motor vehicles.

During the year, in lieu of cash settlement, overdue receivables amounting to RMB110,000,000 (equivalent to HK\$125,000,000) in total were settled by way of properties with a total fair value of HK\$134,027,000.

Save as disclosed above and apart from the transactions as detailed in note 22(a) to the financial statements, the Group had no other major non-cash transactions of investing and financing activities during the years ended 31 December 2022 and 2021.

(b) Changes in liabilities arising from financing activities

	Notes	Bank and other borrowings HK\$'000	Guaranteed bonds and notes HK\$'000	Lease liabilities HK\$'000
At 1 January 2021		37,168,621	31,472,403	725,919
Changes from financing cash flows				
– on principal portion		(246,633)	4,318,971	(414,754)
– on interest portion		(719,996)	(968,753)	(46,047)
New leases	16(b)	–	–	648,015
Interest expense		719,996	1,044,080	46,047
Early termination of leases		–	–	(11,855)
Exchange realignment		55,100	(838,489)	10,955
At 31 December 2021 and 1 January 2022		36,977,088	35,028,212	958,280
Changes from financing cash flows				
– on principal portion		17,815,012	(12,834,309)	(422,711)
– on interest portion		(586,944)	(1,442,159)	(42,669)
New leases	16(b)	–	–	372,443
Acquisition of subsidiaries	43	2,770,788	–	15,047
Interest expense		586,944	1,459,499	42,669
Early termination of leases		–	–	(16,618)
Transfer of liabilities of disposal groups classified as held for sale	44	(119)	–	(1,458)
Exchange realignment		(1,540,105)	(842,247)	(59,201)
At 31 December 2022		56,022,664	21,368,996	845,782

NOTES TO FINANCIAL STATEMENTS

31 December 2022

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2022 HK\$'000	2021 HK\$'000
Within operating activities	84,187	79,132
Within financing activities	465,380	460,801
	549,567	539,933

46. CAPITAL COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	2022 HK\$'000	2021 HK\$'000
Contracted, but not provided for:		
Gas pipelines and plant and machinery	11,600,223	19,368,482
Service concession arrangements	96,441	534,788
Total	11,696,664	19,903,270

NOTES TO FINANCIAL STATEMENTS

31 December 2022

47. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

Name of related party	Nature of transaction	Notes	2022 HK\$'000	2021 HK\$'000
Non-controlling equity holders of subsidiaries and their associates:				
北京燕京啤酒集團公司 and its associates	Purchase of bottle labels ^y	(i)	86,537	86,282
	Purchase of bottle caps ^y	(i)	16,707	49,457
	Canning service fees paid ^y	(ii)	27,319	26,939
	Comprehensive support service fees paid ^y	(iii)	18,307	18,729
	Land rental expenses ^y	(iv)	2,150	2,228
	Trademark licensing fees paid ^y	(v)	50,456	52,929
	Less: refund for advertising subsidies ^y	(v)	(8,209)	(7,378)
Fellow subsidiaries:				
北京北燃實業有限公司 ("Beijing Beiran") and its subsidiaries	Sale of piped natural gas [#]	(vi)	97,643	401,648
	Engineering service income [#]	(vii)	14,207	5,972
	Comprehensive service income [#]	(vii)	2	3,606
	Engineering service expenses [#]	(vii)	144,733	181,924
	Comprehensive service expenses [#]	(vii)	95,135	119,756
	Building rental expenses [#]	(viii)	141,735	143,373
	Purchase of goods [#]	(viii)	92,036	107,414
	Sale of goods [#]	(ix)	71,855	94,152
Associate:				
北京控股集團財務有限公司 ("BE Group Finance")	Interest expense	(x)	39,874	50,112
	Interest income [@]	(x)	75,063	59,426

^y These related party transactions also constitute continuing connected transactions that are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

[#] These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

[@] This related party transactions also constitute continuing connected transaction that is subject to the announcement, reporting and annual review requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

47. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

Notes:

- (i) The purchase prices for bottle labels and bottle caps were determined by reference to the agreed prices for the preceding year and an annual adjustment determined by reference to the price index in Beijing in the preceding year.
- (ii) The canning service fees were charged at a rate equal to the costs of the canning services incurred by Yanjing Beer Group plus a mutually-agreed profit margin.
- (iii) The comprehensive support service fees paid include the following:
 - fees for security and canteen services which were determined based on the annual cost of labour, depreciation and maintenance for the preceding year and an annual adjustment by reference to the price index in Beijing; and
 - rental expenses, related to the premises occupied and used by Yanjing Brewery as its office, canteen and staff dormitories, which were determined by reference to the prevailing market rentals at the time when the relevant agreements were entered into.
- (iv) The land rental expenses were charged at a mutually-agreed amount of RMB1,761,000 (2021: RMB1,761,000) per annum.
- (v) The trademark licensing fees paid were for the use of the “Yanjing” trademark and were determined based on 1% (2021: 1%) of the annual sales of beer and mineral water products made by Yanjing Brewery and at a rate of RMB0.008 (2021: RMB0.008) per bottle of beer sold by the subsidiaries of Yanjing Brewery. Yanjing Brewery Group would refund 20% of the trademark licensing fees from sales of beer received from Yanjing Brewery for the use by Yanjing Brewery to develop and promote the “Yanjing” trademark.
- (vi) The selling price of piped natural gas was prescribed by the PRC government.
- (vii) The service fees were determined by reference to the then prevailing market rates and set at prices not higher than the guidance prices set by the PRC government.
- (viii) The purchase prices of goods and the building rentals were determined by reference to the then prevailing market rates.

During the year ended 31 December 2022, the Group entered into tenancy agreements with its fellow subsidiary, Beijing Beiran, for leasing certain office premises for use in its operations, for lease periods of 28 months to 2 years (2021: 28 months to 3 years) at rentals ranging from RMB10,000 to RMB6,333,000 (2021: RMB9,524 to RMB6,333,000) per month. The monthly rents charged by the fellow subsidiary were determined by reference to the then prevailing market rates.

- (ix) The selling prices of goods were determined on a cost-plus basis.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

47. RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

Notes: (Continued)

- (x) BE Group Finance is a 38.78% owned associate of the Group and also a subsidiary of Beijing Enterprises Group. BE Group Finance was established to act as a platform for members of Beijing Enterprises Group for the provision of intra-group loan facilities through financial products including deposit-taking, money-lending and custodian services.

On 20 December 2019, the Company and BE Group Finance entered into a deposit agreement (the “Deposit Agreement”) whereby the Company and BE Group Finance will continue to carry out transactions under a deposit services master agreement entered on 29 December 2014 for a further period of three years from 1 January 2020 to 31 December 2022. The terms and conditions under the Deposit Agreement are substantially the same as those under the deposit services master agreement and the revised daily aggregate of deposits placed by the Group with BE Group Finance (including any interest accrued thereon) during the term of the Deposit Agreement will not exceed HK\$2.23 billion (2021: HK\$2.23 billion).

Interest rates on deposits placed in and loans offered by BE Group Finance denominated in RMB were determined by reference to the then prevailing market rates offered by the People’s Bank of China, while the related interest rates for deposits and loans denominated in other currencies were determined by reference to the then prevailing market rates offered by major banks in the PRC.

The amounts of deposits placed by the Group with BE Group Finance and the amounts of loans borrowed by the Group from BE Group Finance as at the end of the reporting period are disclosed in notes 30 and 34(b)(ii) to the financial statements.

(b) **Outstanding balances with related parties**

- (i) Details of the Group’s balances with related parties included in prepayments, other receivables and other assets, cash and cash equivalents, bank and other borrowings and other payables, accruals and contract liabilities are disclosed in notes 27, 28, 30, 34(b)(i), 34(b)(ii) and 41 to the financial statements.
- (ii) Details of the Group’s trade balances with fellow subsidiaries and a joint venture, included in trade receivables and trade and bills payables are disclosed in notes 26(a) and 40 to the financial statements, respectively.

(c) **Transactions with other state-owned entities in Mainland China**

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 has transactions with Other SOEs including, but not limited to, the sale of piped natural gas, 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 do not depend on whether or not the customers are Other SOEs. Having due regard to the substance of the relationships, the Company’s directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

47. RELATED PARTY DISCLOSURES *(Continued)*

(d) Compensation of key management personnel of the Group

	2022 HK\$'000	2021 HK\$'000
Short term employee benefits	13,283	12,036
Pension scheme contributions	29	29
Total compensation paid to key management personnel	13,312	12,065

Further details of directors' emoluments are included in note 9 to the financial statements.

48. FINANCIAL INSTRUMENTS BY CATEGORY

Save (i) certain equity investments being designated as equity investments at fair value through other comprehensive income; and (ii) a fund investment and certain equity investments being classified as financial assets at fair value through profit or loss, as further detailed in notes 23, 24 and 27(c) to the financial statements, respectively, all financial assets and financial liabilities of the Group as at 31 December 2022 and 2021 were classified as financial assets and financial liabilities at amortised cost.

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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, and accordingly, no disclosure of the fair values of these financial instruments is made.

The fair value measurement hierarchy of the Group's financial instruments are detailed as follows:

- (i) the listed equity investments (notes 23 and 27(c)) are stated at fair value based on their quoted market prices (as categorised within Level 1 of the fair value hierarchy); and
- (ii) the unlisted fund investment (note 24) is stated at fair value based on a market-based valuation (as categorised within Level 3 of the fair value hierarchy).

NOTES TO FINANCIAL STATEMENTS

31 December 2022

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

For the year ended 31 December 2021, the fair value of the unlisted fund investment classified as a financial asset at fair value through profit or loss (note 24) has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates.

The valuation requires the Company's directors to determine comparable companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to book ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the equity value of the comparable company by a book value measure. The trading multiple is then discounted for considerations such as illiquidity nature of the investment. The discounted multiple is applied to the corresponding earnings measure of the unlisted investment to measure the fair value.

The Company's directors believe that the estimated fair value of the unlisted fund instrument resulting from the valuation technique, which is recorded in the consolidated statement of financial position, is reasonable, and that it was the most appropriate value as at the end of the reporting period.

Management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model and has quantified this as a reduction in fair value of approximately HK\$48 million, using less favourable assumptions, and an increase in fair value of approximately HK\$48 million, using more favourable assumptions.

Below is a summary of significant unobservable inputs to the valuation of the unlisted fund investment together with a quantitative sensitivity analysis as at 31 December 2021:

Valuation technique	Significant unobservable inputs	Values	Sensitivity of fair value to the inputs
Valuation multiples	Average EV/EBITDA multiple of peers	3.1 to 16.2	1% increase/decrease in multiple would result in an increase/ decrease in fair value by HK\$22,103,000
	Discount for lack of marketability	14.4%	1% increase/decrease in discount would result in a decrease/ increase in fair value by HK\$25,821,000

The discount for lack of marketability represents the amount of discount determined by the Group that market participants would take into account when pricing the investment.

The fair value and the basis of fair value measurement of the Group's guaranteed bonds and notes as at 31 December 2022 and 2021 are disclosed in note 35 to the financial statements.

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 2022

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, guaranteed bonds and notes and 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 equity and fund instruments, trade receivables, contract assets, other receivables and other assets, trade and bills payables, other payables, accruals and contract liabilities, receivables under service concession arrangements and amounts due from/to holding companies, fellow subsidiaries, associates and non-controlling equity holders of subsidiaries.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and fair value risk. The board of directors of the Company reviews and agrees 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, guaranteed bonds and notes, cash and short term deposits are stated at amortised cost and not revalued. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

The following tables set out the carrying amounts, by maturity, of the Group's interest-bearing financial instruments as at the end of the reporting period that are exposed to interest rate risk:

	Carrying amount		Effective interest rate	
	2022 HK\$'000	2021 HK\$'000	2022 %	2021 %
Floating rate:				
Restricted cash and pledged deposits	171,940	35,958	0.35	0.35
Cash and cash equivalents	22,745,652	21,914,045	0.35	0.35
Bank and other borrowings (other than lease liabilities)	50,035,699	32,076,460	7.48	4.97
Fixed rate:				
Cash and cash equivalents	8,601,609	11,324,754	1.10	1.10
Bank and other borrowings (other than lease liabilities)	5,855,232	4,759,256	3.27	2.18
Guaranteed bonds and notes	21,368,996	35,028,212	1.86	2.97

At 31 December 2022, it was estimated that a general decrease/increase of 100 basis points in the interest rate of average balances of bank and other borrowings and bank balances during the year, with all other variables held constant, would increase/decrease the Group's profit before tax by approximately HK\$69 million (2021: HK\$13 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the beginning of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. 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. The analysis was performed on the same basis for 2021.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

50. 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. As a result of its significant operations in Mainland China and Germany, the Group's financial position can be affected significantly by movements in the RMB/HK\$ and EUR/HK\$ exchange rates.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB/HK\$ and EUR/HK\$ exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/(decrease) in profit before tax		Increase/(decrease) in equity	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
If Hong Kong dollar weakens against RMB by 5%	363,136	377,067	4,889,088	4,590,993
If Hong Kong dollar strengthens against RMB by 5%	(363,136)	(377,067)	(4,889,088)	(4,590,993)
If Hong Kong dollar weakens against EUR by 5%	56,654	59,670	337,027	402,243
If Hong Kong dollar strengthens against EUR by 5%	(56,654)	(59,670)	(337,027)	(402,243)

The Group has not used any derivative financial instruments to hedge against its risk of foreign exchange rates' fluctuation. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group is exposed to credit risk arising from its gas operation, brewery operation and environmental operation. Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on individual customer's past history of making payments when they fall due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Various companies have different credit policies, depending on markets and businesses in which they operate. Ageing analysis of trade receivables is prepared and closely monitored in order to minimise any credit risk associated with the receivables. Normally, the Group does not obtain collateral from customers. In respect of the contract assets for contract work arising from the Group's environmental operation, the Group transacts mainly with municipal governments in different provinces in the PRC which do not have significant credit risk.

Maximum exposure and year-end staging

At 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	Total HK\$'000
Trade receivables*	–	–	–	5,916,333	5,916,333
Financial assets included in prepayments, other receivables and other assets					
– Normal**	9,165,462	–	–	1,017,253	10,182,715
Operating concessions (contract assets)					
– Normal	–	–	–	4,129,999	4,129,999
Receivables under service concession arrangements					
– Normal	2,166,417	–	–	1,334,758	3,501,175
Receivable under a finance lease					
– Normal	–	–	–	526,739	526,739
Restricted cash and pledged deposits					
– Not yet past due	171,940	–	–	–	171,940
Cash and cash equivalents					
– Not yet past due	31,347,261	–	–	–	31,347,261
	42,851,080	–	–	12,925,082	55,776,162

NOTES TO FINANCIAL STATEMENTS

31 December 2022

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

At 31 December 2021

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	–	–	–	7,020,673	7,020,673
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,915,665	–	–	646,833	5,562,498
Operating concessions (contract assets)					
– Normal	–	–	–	3,373,928	3,373,928
Receivables under service concession arrangements					
– Normal	2,335,706	–	–	1,150,566	3,486,272
Receivable under a finance lease					
– Normal	–	–	–	654,877	654,877
Restricted cash and pledged deposits					
– Not yet past due	35,958	–	–	–	35,958
Cash and cash equivalents					
– Not yet past due	33,238,799	–	–	–	33,238,799
	40,526,128	–	–	12,846,877	53,373,005

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 26 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets are considered as “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as “doubtful”.

Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of bank loans, other loans, guaranteed bonds and notes. In addition, banking facilities have been put in place for contingency purposes.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of short term loans to cover expected cash demands, subject to approval by the management of the Group. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The Group has the following loans and borrowings as at the end of the reporting period:

	2022 HK\$'000	2021 HK\$'000
Bank loans	49,964,721	31,763,684
Other loans	6,057,943	5,213,404
Guaranteed bonds and notes	21,368,996	35,028,212
Lease liabilities	845,782	958,280
	78,237,442	72,963,580
Analysed into:		
Bank loans repayable:		
Within one year	23,238,642	8,613,096
In the second year	902,767	3,165,389
In the third to fifth years, inclusive	21,824,250	16,895,632
Beyond five years	3,999,062	3,089,567
	49,964,721	31,763,684
Other borrowings repayable:		
Within one year	1,737,029	18,105,667
In the second year	863,045	1,218,631
In the third to fifth years, inclusive	15,492,429	11,468,348
Beyond five years	10,180,218	10,407,250
	28,272,721	41,199,896
	78,237,442	72,963,580

NOTES TO FINANCIAL STATEMENTS

31 December 2022

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities (other than defined benefit obligations) as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

At 31 December 2022

	On demand or within one year <i>HK\$'000</i>	In the second year <i>HK\$'000</i>	In the third to fifth years, inclusive <i>HK\$'000</i>	Beyond five years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Trade and bills payables	5,549,248	–	–	–	5,549,248
Accruals and other liabilities	10,828,007	415,241	–	–	11,243,248
Due to holding companies, fellow subsidiaries, associates and a non-controlling equity holder of a subsidiary	3,580,665	–	–	–	3,580,665
Bank and other borrowings (excluding lease liabilities)	25,395,918	1,721,380	29,951,045	6,014,031	63,082,374
Guaranteed bonds and notes	536,603	4,122,222	14,879,911	8,786,172	28,324,908
Lease liabilities	367,498	132,093	98,696	443,842	1,042,129
	46,257,939	6,390,936	44,929,652	15,244,045	112,822,572

NOTES TO FINANCIAL STATEMENTS

31 December 2022

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

At 31 December 2021

	On demand or within one year <i>HK\$'000</i>	In the second year <i>HK\$'000</i>	In the third to fifth years, inclusive <i>HK\$'000</i>	Beyond five years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Trade and bills payables	4,326,135	–	–	–	4,326,135
Accruals and other liabilities	9,487,737	191,911	–	–	9,679,648
Due to holding companies, fellow subsidiaries, associates and a non-controlling equity holder of a subsidiary	3,572,684	–	–	–	3,572,684
Bank and other borrowings (excluding lease liabilities)	9,355,477	4,283,353	19,735,498	6,009,610	39,383,938
Guaranteed bonds and notes	17,185,980	477,901	9,154,743	8,273,121	35,091,745
Lease liabilities	407,469	173,820	100,663	480,284	1,162,236
	44,335,482	5,126,985	28,990,904	14,763,015	93,216,386

Fair value risk

The Group is exposed to fair value risk, mainly arising from its listed equity investments and unlisted fund investment. The fair values of the equity investments and unlisted fund at the end of the reporting period are determined based on quoted market prices and a valuation performed by an independent professional valuer, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the fair value of these investments, with all other variables held constant, of the Group's profit before tax and equity attributable to shareholders of the Company:

	Increase/(decrease) in profit before tax		Increase/(decrease) in equity	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
If fair values increased by 5%	6	126,156	89,159	205,625
If fair values decreased by 5%	(6)	(126,156)	(89,159)	(205,625)

NOTES TO FINANCIAL STATEMENTS

31 December 2022

50. 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 and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

Depending on the market conditions and funding arrangements, if at any time, repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions, when appropriate.

The Group monitors capital using a net gearing ratio, which is net borrowing divided by the total equity. Net borrowing includes total bank and other borrowings, guaranteed bonds and notes less cash and cash equivalents. The net gearing ratio as at the end of the reporting period is as follows:

	2022 HK\$'000	2021 HK\$'000
Bank and other borrowings	56,022,664	36,977,088
Guaranteed bonds and notes	21,368,886	35,028,212
Less: Cash and cash equivalents	(31,347,261)	(33,238,799)
Net borrowing	46,044,289	38,766,501
Total equity	103,038,697	109,066,969
Net gearing ratio	44.7%	35.5%

51. EVENT AFTER THE REPORTING PERIOD

On 23 March 2023, the Company issued medium-term notes in a total principal amount of RMB4 billion (the "2023 Medium-term Notes Series 1") to qualified investors in the PRC. The 2023 Medium-term Notes Series 1 have a term of 3 years with the maturity date in March 2026 and bear interest at the coupon rate of 2.95% per annum. The proceeds from the issuance of the 2023 Medium-term Notes Series 1 are intended to be used for the repayment of the Group's existing bank loans.

NOTES TO FINANCIAL STATEMENTS

31 December 2022

52. COMPARATIVE AMOUNTS

As further detailed in note 4 to the financial statements, the directors decided to consider the property investment business of the Group as a principal activity of the Group. Accordingly, certain comparative amounts have been reclassified and restated to conform to the current year's presentation.

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company as at the end of the reporting period is as follows:

	2022 HK\$'000	2021 HK\$'000
ASSETS		
Non-current assets:		
Property, plant and equipment	447	748
Investment properties	56,914	56,914
Right-of-use assets	44,265	13,809
Investments in subsidiaries	90,284,825	80,271,249
Investments in associates	610,752	347,956
Equity investments at fair value through other comprehensive income	1,396,749	3,055,880
Total non-current assets	92,393,952	83,746,556
Current assets:		
Prepayments, other receivables and other assets	103,899	104,244
Cash and cash equivalents	293,939	104,153
Total current assets	397,838	208,397
TOTAL ASSETS	92,791,790	83,954,953

NOTES TO FINANCIAL STATEMENTS

31 December 2022

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2022 HK\$'000	2021 HK\$'000
EQUITY AND LIABILITIES		
Equity:		
Share capital	30,401,883	30,401,883
Reserves <i>(note)</i>	851,806	2,210,738
TOTAL EQUITY	31,253,689	32,612,621
Non-current liabilities:		
Bank and other borrowings	20,113,557	14,941,590
Lease liabilities	31,425	–
Total non-current liabilities	20,144,982	14,941,590
Current liabilities:		
Other payables and accruals	1,515,351	1,590,410
Due to subsidiaries	22,975,604	28,612,707
Income tax payable	85,372	85,372
Bank and other borrowings	16,803,442	6,097,898
Lease liabilities	13,350	14,355
Total current liabilities	41,393,119	36,400,742
TOTAL LIABILITIES	61,538,101	51,342,332
TOTAL EQUITY AND LIABILITIES	92,791,790	83,954,953

Dai Xiaofeng
Director

Tam Chun Fai
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2022

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note: A summary of the Company's reserves is as follows:

	Capital reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021	13,220	1,136,866	17,561	933,919	2,101,566
Profit for the year	–	–	–	1,577,566	1,577,566
Other comprehensive loss for the year:					
Changes in fair value of equity investments at fair value through other comprehensive income	–	(29,654)	–	–	(29,654)
Total comprehensive income/(loss) for the year	–	(29,654)	–	1,577,566	1,547,912
Final 2020 dividend	–	–	–	(933,919)	(933,919)
Interim 2021 dividend	–	–	–	(504,821)	(504,821)
At 31 December 2021 and 1 January 2022	13,220	1,107,212	17,561	1,072,745	2,210,738
Profit for the year	–	–	–	2,062,213	2,062,213
Other comprehensive loss for the year:					
Changes in fair value of equity investments at fair value through other comprehensive income	–	(1,672,411)	–	–	(1,672,411)
Total comprehensive income/(loss) for the year	–	(1,672,411)	–	2,062,213	389,802
Final 2021 dividend	–	–	–	(1,072,745)	(1,072,745)
Interim 2022 dividend	–	–	–	(630,627)	(630,627)
Repurchase of shares	–	–	–	(45,362)	(45,362)
At 31 December 2022	13,220	(565,199)	17,561	1,386,224	851,806

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

FIVE YEAR FINANCIAL SUMMARY

31 December 2022

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published audited financial statements and the annual report of the Company for the year ended 31 December 2021, is set out below:

RESULTS

	Year ended 31 December				
	2018	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)*	(Restated)*	(Restated)*	(Restated)*	
Revenue	67,808,634	67,833,338	68,466,371	80,521,838	92,296,553
Operating profit	2,435,720	2,584,750	1,678,293	5,331,226	3,453,057
Share of profits and losses of:					
Joint ventures	(6,715)	28,810	16,565	(10,081)	29,799
Associates	6,666,446	6,982,418	4,958,399	6,312,542	5,874,363
Profit before tax	9,095,451	9,595,978	6,653,257	11,633,687	9,357,219
Income tax	(1,158,810)	(1,022,369)	(1,006,794)	(1,115,056)	(1,093,198)
Profit for the year	7,936,641	8,573,609	5,646,463	10,518,631	8,264,021
ATTRIBUTABLE TO:					
Shareholders of the Company	7,577,383	8,054,780	5,286,888	9,918,640	7,572,651
Non-controlling interests	359,258	518,829	359,575	599,991	691,370
	7,936,641	8,573,609	5,646,463	10,518,631	8,264,021

* During the year, in order to better monitor the operating performance of the Group's property investment business, the directors decided to consider the property investment business of the Group as a principal activity of the Group. Accordingly, revenue and direct operating expenses associated with the property investment business are classified as "Revenue" and "Cost of sales" starting from the year ended 31 December 2022. In this regard, the prior years' comparative amounts have been reclassified and restated to conform to the current year's presentation.

FIVE YEAR FINANCIAL SUMMARY

31 December 2022

ASSETS, LIABILITIES AND TOTAL EQUITY

	Year ended 31 December				
	2018	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	174,496,280	185,806,276	204,804,421	222,822,051	221,071,367
Total liabilities	(93,480,908)	(98,791,449)	(107,378,699)	(113,755,082)	(118,032,670)
NET ASSETS	81,015,372	87,014,827	97,425,722	109,066,969	103,038,697
Equity attributable to shareholders of the Company	69,672,617	75,281,639	84,897,106	95,977,710	89,919,965
Non-controlling interests	11,342,755	11,733,188	12,528,616	13,089,259	13,118,732
TOTAL EQUITY	81,015,372	87,014,827	97,425,722	109,066,969	103,038,697

GLOSSARY

In this Report (except for the Independent Auditor's Report and the Financial Statements), the following expressions have the following meanings:

"2023 AGM"	: forthcoming annual general meeting of the Company to be held on 16 June 2023
"AGM(s)"	: annual general meeting(s) of the Company
"Articles of Association"	: the current articles of association of the Company adopted on 11 June 2015
"Audit Committee"	: audit committee of the Company
"BE Environment"	: Beijing Enterprises Environment Group Limited, a company listed on the HKSE (stock code: 154)
"BE Group"	: Beijing Enterprises Group Company Limited* (北京控股集團有限公司), a company incorporated in the PRC with limited liability. It is a state-owned enterprise wholly-owned by SASAC of Beijing Municipality and is the ultimate controlling shareholder of the Company
"BE Group BVI"	: Beijing Enterprises Group (BVI) Company Limited
"BE Group Finance"	: Beijing Enterprises Group Finance Co. Ltd.* (北京控股集團財務有限公司)
"BE Urban Resources"	: Beijing Enterprises Urban Resources Group Limited, a company listed on the HKSE (stock code: 3718)
"BE Water"	: Beijing Enterprises Water Group Limited, a company listed on the HKSE (stock code: 371)
"BEHET"	: Beijing Enterprises Holdings Environment Technology Co., Ltd.* (北京北控環保工程技術有限公司)
"Beijing Gas"	: Beijing Gas Group Company Limited
"BEIL"	: Beijing Enterprises Investments Limited

GLOSSARY

“BHL”	: Beijing Holdings Limited
“Biosino Bio-Tech”	: Biosino Bio-Technology and Science Incorporation, a company listed on the HKSE (stock code: 8247)
“Blue Sky”	: Beijing Gas Blue Sky Holdings Limited, a company listed on the HKSE (stock code: 6828)
“Board”	: the board of Directors
“Chief Executive” or “CEO”	: the Chief Executive Officer of the Company
“China Gas”	: China Gas Holdings Limited, a company listed on the HKSE (stock code: 384)
“Company” or “BEHL”	: Beijing Enterprises Holdings Limited, a company listed on the HKSE (stock code: 392)
“Companies Ordinance”	: the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
“Director(s)”	: the director(s) of the Company
“EEW GmbH”	: EEW Energy from Waste GmbH
“Euro” or “EUR”	: the Euro, the lawful currency of the member states of the European Union
“Executive Director”	: executive director of the Company
“Group”	: the Company and its subsidiaries from time to time
“GSWM”	: Golden State Waste Management Corporation
“HKSE” or “Hong Kong Stock Exchange”	: The Stock Exchange of Hong Kong Limited
“HKFRSs”	: Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	: Hong Kong dollars, the lawful currency of Hong Kong

GLOSSARY

“Hong Kong”	: The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Non-executive Director(s)” or “INED(s)”	: independent non-executive director(s) of the Company
“Investment Committee”	: investment committee of the Company
“Listing Rules”	: the Rules Governing the Listing of Securities on the HKSE
“Model Code”	: the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MOL”	: Modern Orient Limited
“Nomination Committee”	: nomination committee of the Company
“PipeChina Beijing Pipeline Co.”	: PipeChina Group Beijing Pipeline Co., Ltd.* (國家管網集團北京管道有限公司)
“PRC” or “China”	: the People’s Republic of China, and for the purpose of this Report, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Remuneration Committee”	: remuneration committee of the Company
“Report”	: this 2022 annual report of the Company
“RMB”	: Renminbi, the lawful currency of the PRC

GLOSSARY

“SASAC of Beijing Municipality”	: the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality
“Senior Management”	: member(s) of the senior management of the Company
“SFO”	: the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	: holder(s) of Share(s)
“Shares”	: ordinary share(s) in the capital of the Company
“US\$”	: United States dollar, the lawful currency of the United States of America
“VCNG”	: PJSC Verkhnechonskneftegaz project of Rosneft Oil Company
“Yanjing Brewery”	: Beijing Yanjing Brewery Co., Ltd.* (北京燕京啤酒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000729)
“Yanjing Beer Group”	: Beijing Yan Jing Beer Group Company* (北京燕京啤酒集團公司)
“Yanjing Huiquan”	: FuJian YanJing HuiQuan Brewery Co., Ltd.* (福建省燕京惠泉啤酒股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600573)
“Yanjing Investment” or “Yanjing Limited”	: Beijing Yanjing Brewery Investments Co., Ltd.* (北京燕京啤酒投資有限公司)

* For identification purpose only



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED