北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

BEIJING ENTERPRISES HOLDINGS LIMITED

Stock Code : 392

ANNUAL REPORT 2023

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. YANG Zhichang *(Chairman)*
Mr. JIANG Xinhao *(Vice Chairman)*
Mr. XIONG Bin *(Chief Executive Officer)*
Mr. GENG Chao
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. YANG Zhichang
Mr. WU Jiesi *(Committee Chairman)*
Mr. LAM Hoi Ham

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

Mr. YANG Zhichang *(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

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AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISERS

Hong Kong Law

Mayer Brown

PRC Law

Haiwen & Partners

PRINCIPAL BANKERS

In Hong Kong

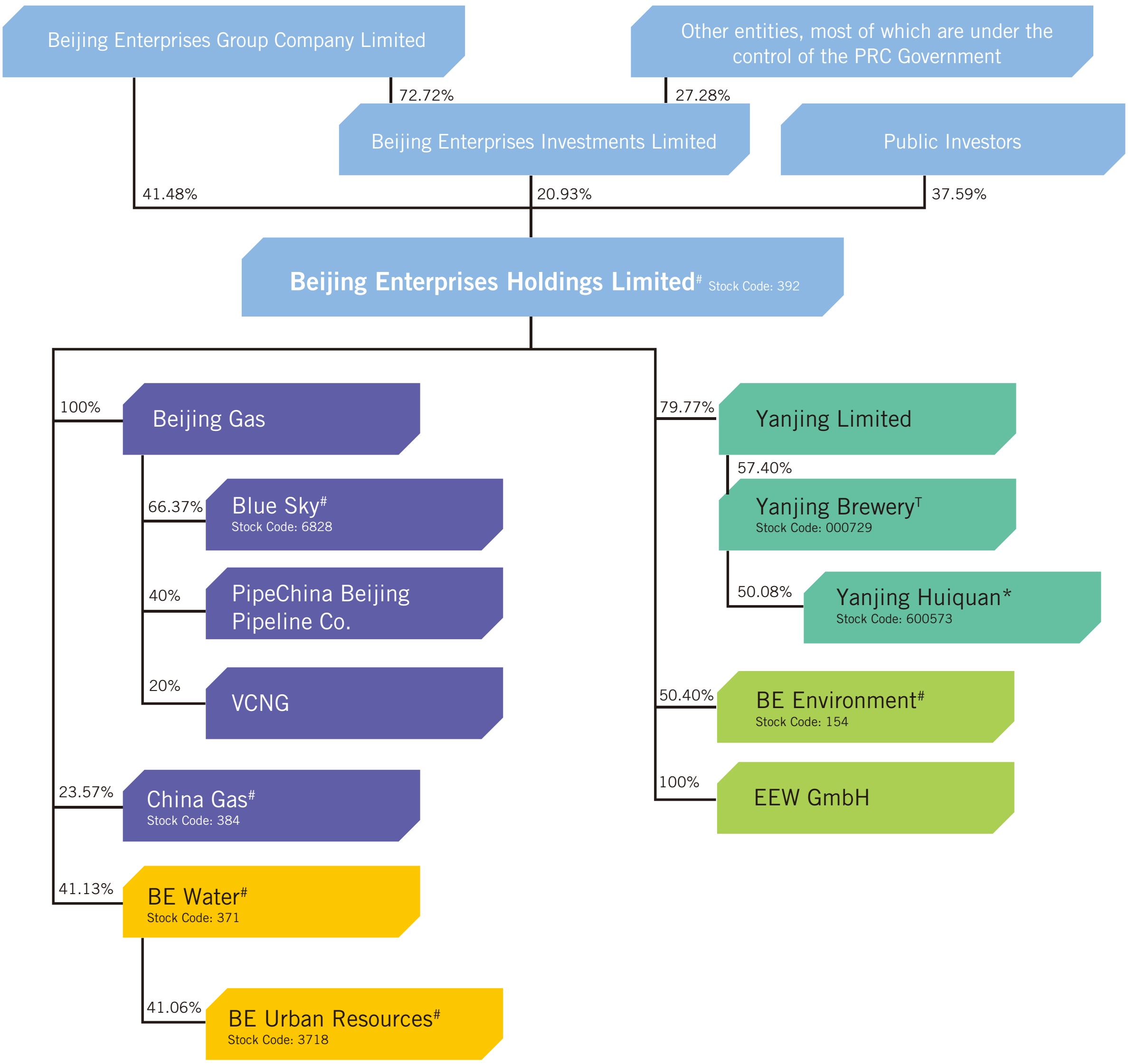
Bank of China, Hong Kong Branch
Bank of Communications, Hong Kong Branch
DBS Bank Ltd., Hong Kong Branch

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 2023



* *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	**2023** *RMB'000*	2022 *RMB'000*	**Change**
Turnover	**82,313,331**	79,375,036	**3.7%**
Gross profit	**10,728,653**	10,568,263	**1.5%**
Profit for the year	**6,401,291**	7,107,058	**–9.9%**
Profit attributable to shareholders of the Company	**5,498,290**	6,512,480	**–15.6%**
Basic EPS (in RMB)	**4.36**	5.16	**–15.5%**
Total dividend per share (in HK dollars)	**1.60**	1.60	**0.0%**
EBIT	**9,911,505**	9,829,091	**0.8%**
EBITDA	**14,018,473**	13,871,697	**1.1%**
Total assets	**204,454,706**	194,542,803	**5.1%**
Bank balance and cash	**28,858,361**	27,585,590	**4.6%**
Shareholders' equity	**80,997,724**	79,129,569	**2.4%**

Key financial indicators for the year ended 31 December	**2023**	2022
Average finance costs	**3.7%**	2.8%
Current ratio (times)	**0.74**	0.89
Gross profit margin	**13.0%**	13.3%
Net gearing ratio	**50.9%**	44.7%
Net profit margin	**7.8%**	9.0%
Payout ratio (%)	**33.0%**	26.7%
Return on average equity	**6.9%**	8.3%

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 2023 marked a critical stage for Beijing Enterprises Holdings Limited (the "Company" or "BEHL", together with its subsidiaries, collectively referred to as the "Group") in the implementation of the "14th Five-Year Plan" for high-quality development. The Group actively responded to the challenges of complicated economic conditions at home and abroad and high interest rate environment, continued to consolidate its foundation, adhered to lean management and control, and optimized the corporate debt structure, maintaining the stability of operating fundamentals.

Demonstrating resilience amid challenges and striving to enhance shareholders' returns

The Company recorded a revenue of RMB82.3 billion during the year, representing a year-on-year increase of 3.7%. The gross profit amounted to RMB10.7 billion, representing a year-on-year increase of 1.5%. Profit attributable to shareholders amounted to RMB5.5 billion. Despite the pressure exerted on the operating performance, the Board attached great importance to continuously enhancing shareholders' returns and proposed the distribution of a total annual dividend of HK$1.6 per share to its shareholders, representing a payout ratio of 33%. In the future, the Company may propose a further optimized dividend distribution plan from time to time based on the growth of the results of the Company, to reward the long-term support of shareholders.

Maintaining the steady development of gas business, with the successful commissioning of the Tianjin Nangang Project

Beijing Gas Group Company Limited ("Beijing Gas") has achieved steady growth in terms of the scale of its natural gas distribution. The successful commissioning of the first phase of the Tianjin Nangang LNG project has greatly enhanced the capacity of emergency peak adjustment and supply support for the Beijing-Tianjin-Hebei region, while expanding the room for development of the LNG business. Beijing Gas has engaged with a number of upstream companies and established a comprehensive resource pool through long-term contracts with competitive price.

Although the profit for the period of China Gas Holdings Limited ("China Gas", stock code: 384) recorded a year-on-year decline, with the gradual implementation of the price pass-through mechanism in many regions, its comprehensive dollar margin has improved year-on-year, and its cash flows for the same period have also reached a record level. In addition, China Gas has actively expanded its industrial chain, tapped into innovation in both channels and products for its value-added business, and identified business opportunities in user-side energy storage for its integrated energy business, determining the layout and development direction of key cities.

Continuing to focus on fundamentals of water business to improve operational efficiency

Beijing Enterprises Water Group Limited ("BE Water", stock code: 371) has adhered to the business strategy of "strengthening foundation, emphasizing on compliance and stabilizing development", with its core water treatment business maintaining steady growth. By focusing on the health of cash flows, the cash collection rate of municipal water services was restored to the pre-epidemic level. It strengthened science and technology-led asset-light transformation, and increased the investments in research and development of core technologies, accelerating the incubation of specialized companies. It also deepened the governance of inefficient assets in the main business, and rationally allocated management resources to enhance the efficiency of management and control.

Developing environmental business both domestically and internationally to sustainably enhance operational capability

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"). By fully utilizing the advantages of the platform, the Beihai and Zhangjiagang projects were successfully put into operation during the period, and the Shiyan waste incineration project was successfully awarded, further improving the overall treatment scale and treatment capacity. Meanwhile, through increasing diversified co-processing disposal, we are actively expanding our sludge, kitchen, heat and steam co-processing business, so as to actually enhance the project revenue. The overseas company, EEW Energy from Waste GmbH (EEW GmbH) actively responded to the impact of the weakening economy in Germany by stepping up its efforts to expand the sources of waste imports from Europe and effectively increasing its capacity utilization rate.

Achieving increasing benefits from reform of beer business, and continuously optimizing products and management

Beijing Yanjing Brewery Co., Ltd. ("Yanjing Brewery", stock code: 000729) continued to enhance its management effectiveness through organizational reform, stimulate the vitality of its team through institutional system reform, and achieve simultaneous improvement in operating benefits, operational efficiency and development quality by promoting reform in business areas such as production, marketing, market and supply chain, and upgraded its product structure, market structure and improved profitability with its bulk single product strategy. During the year, the sales volume of beer was 3.94 million kiloliters, representing a year-on-year increase of 4.5%, which outperformed the industry average; the brand value of "Yanjing Brewery" reached RMB180.6 billion during the period.

Making remarkable progress in sustainable development construction and significantly upgrading the rating

BEHL always insists on integrating the concept of sustainable development into its daily operation and management, focusing on the harmonious development of its own business with the economy, society and environment, and working with its stakeholders to build an inclusive, sustainable and resilient future. The Company's ESG rating was upgraded by two notches from "BB" to "A" by MSCI (明晟) recently, which is a leading rating in the industry, fully reflecting the international capital market's high recognition of BEHL's ESG management level and further demonstrating the Company's long-term investment value.

OUTLOOK

2024 will remain a year of global economic turbulence and polarization, while Chinese economy will continue to move towards high quality and sustainable development. From the perspective of the enterprise itself, under the macro policy of vigorous promotion of new urbanization and expectation of reforms to rationalize utility pricing, BEHL's utility business will accelerate the optimization of its core asset structure and the restructuring of its growth momentum, promote the enhancement of the efficiency and release of the value of its stock of operating assets, and comprehensively enhance its ability of lean operation management and control.

The gas business will deeply tap into the profitability of the gas core business, steadily increase the profitability of Tianjin Nangang Project in the early stage of production and operation and accelerate the market-oriented operation of the project; continue to consolidate and expand the market in Beijing and actively seize the opportunities for market development in competitive regions; vigorously expand the integrated energy heating market to accelerate the development of new energy business, such as hydrogen energy. The water business will strictly control capital and debt risks and continue to strengthen cash flows. The "Three Platforms Strategy" with asset management platform, technology development platform and operation service platform will be the key focus of light-asset transformation and quality development, so as to iteratively enhance core competitiveness and shape new develop momentum. The environmental business will continue to make a two-way effort both domestically and internationally, where the domestic platform makes efforts to reduce costs and increase efficiency while improving energy utilization and energy conversion efficiency, and the offshore EEW GmbH accelerates the pace of commissioning and operation of projects under construction and brings contribution to performance growth as soon as practicable. The beer business will continue to deepen the reform, fully consolidate the good development momentum, and deepen the bulk single product strategy, striving to build Yanjing U8 into a million-ton level super bulk single product by the end of the "14th Five-Year Plan" period.

It's new course of an expedition and we should work together to sail to the future. In 2024, the Group will overcome difficulties and push forward the implementation of various key operational tasks with concerted efforts. Based on the in-depth potential enhancement of the performance of various segments, we will actively improve capital operation to expand the room for growth in value, break through adversity and open up new horizons, dare to take on the challenge of self-reform, and strive to capitalize on the trend of growth to build an international first-class integrated utility company with "integrated energy and integrated service".

YANG Zhichang
Chairman

Hong Kong
27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

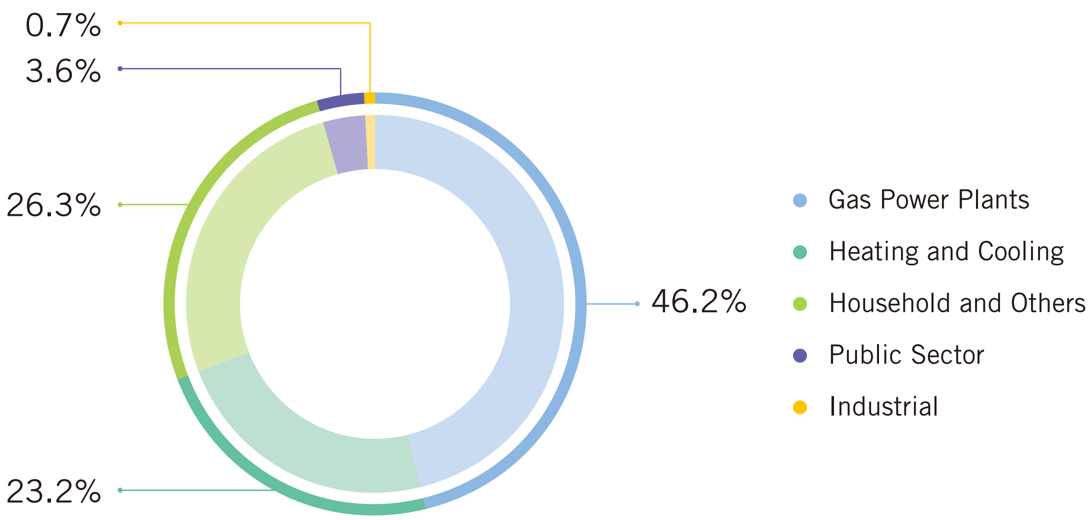
I. BUSINESS REVIEW

In 2023 (the "Reporting Period"), the global economic recovery was facing certain headwinds as core inflation and public debt ratios of various countries remained high, with lingering risks of supply chain disruption and geopolitical conflicts. Benefiting from the continuous promotion of the stabilizing growth policy, the economy of China strode forward at a steady pace amid challenges such as insufficient effective domestic demand, weak external demand and adjustments in the real estate industry. During the period, the Company actively shook off the impact of the complicated economic conditions at home and abroad, adhered to its strategic focus, harnessed the internal potential and improved its operational efficiency to ensure the continuous stability of the Company's operating fundamentals.

Beijing Gas

Beijing Gas Group Company Limited ("Beijing Gas") recorded a revenue of RMB61.47 billion in 2023, representing a year-on-year increase of 2.7%. Profit before taxation from the principal businesses (including natural gas distribution business, natural gas transmission business and VCNG of Rosneft) was RMB4.79 billion.

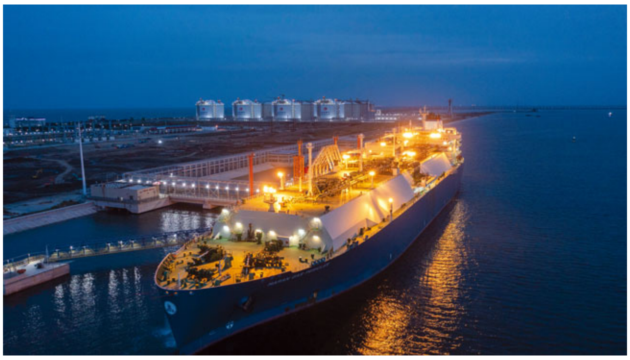
In 2023, Beijing Gas' combined (excluding duplicate statistics in different categories and the portion of Beijing Gas Blue Sky Holdings Limited ("Blue Sky"), stock code: 6828) natural gas sales volume was 24 billion cubic meters. Among which, affected by factors such as earlier heat supply, the piped gas sales volume accomplished inside Beijing increased by 1.7% year-on-year to 18.1 billion cubic meters. The city gas sales volume outside Beijing was 2 billion cubic meters. 2.3 billion cubic meters of gas was sold through LNG distribution and 1.6 billion cubic meters through LNG international trade. An analysis of the natural gas sales volume accomplished inside Beijing by subscriber sector is shown as follows:



I. BUSINESS REVIEW *(Continued)*

Beijing Gas *(Continued)*

During the Reporting Period, Beijing Gas developed approximately 174,000 new household subscribers and 4,776 new public sector subscribers. New heating boiler subscribers with a total capacity of 3,565 t/h were developed. As of 31 December 2023, Beijing Gas had a total of approximately 7.62 million piped gas subscribers and approximately 32,900 kilometers of natural gas pipelines in operation in Beijing. Beijing Gas' capital expenditure for the year amounted to approximately RMB4.55 billion.



During the year, as the first phase of Tianjin Nangang project of Beijing Gas entered pilot production and operation after its successful commissioning, significant improvement was seen in the capacity of peak adjustment and supply support for the Beijing-Tianjin-Hebei region, contributing to the coordinated development of these regions. Through active expansion in the Beijing market, the gas volume continued to grow, and several incremental market projects were implemented in competing areas. For LNG business, it actively expanded trade scale and entered into procurement contracts with a number of upstream companies to secure the sources of supply, completed the signing of long-term resources agreement to diversify its resource pool. Aiming at active and steady expansion in the integrated energy heating market, it promoted integrated energy and new energy businesses in an orderly manner by determining the four development directions – new energy power generation, energy storage, integrated energy heating and hydrogen energy.

Natural Gas Transmission Business

PipeChina Group Beijing Pipeline Co., Ltd. ("PipeChina Beijing Pipeline Co.,") recorded a gas transmission volume of 74.3 billion cubic meters in 2023, representing a year-on-year increase of 25%. During the period, Beijing Gas' share of net profit after taxation, through its 40% equity interests in PipeChina Beijing Pipeline Co., amounted to RMB2.44 billion, representing a year-on-year increase of 36.7%. PipeChina Beijing Pipeline Co.,'s total capital expenditure for the year amounted to approximately RMB460 million.

VCNG of Rosneft

During the Reporting Period, the PJSC Verkhnechonskneftegaz ("VCNG") project of Rosneft Oil Company recorded its petroleum sales of 6.159 million tons, representing a year-on-year decrease of 3%. Beijing Gas shared a net operating profit after taxation for the year of RMB1.04 billion through its 20% equity interest in VCNG, representing a year-on-year decrease of 15.5%.

I. BUSINESS REVIEW *(Continued)*

China Gas

China Gas Holdings Limited ("China Gas", stock code: 384) achieved a profit attributable to the Group of RMB585 million in 2023, representing a year-on-year decrease of 56.3%. During the six months ended 30 September 2023, China Gas proactively implemented the price pass-through policy of natural gas while continuing to strengthen the fundamentals of natural gas business, improving the comprehensive dollar margin as compared to the same period of last year. To set off the impact of the continued weakness in the real estate industry, it promoted the "bottled-to-piped gas conversion" reform and the user connection in old microdistricts, which opened up a new chapter for operation. The value-added businesses platform, "Yipin Smart Living", continued to put efforts into exploration and innovation from two directions, i.e. channels and products, by optimizing and reshaping the marketing management system. China Gas also took proactive measures to gain foothold in new energy business, improved the photovoltaic control system, and deeply cultivated the electricity market. During the six months ended 30 September 2023, China Gas' total natural gas sales volume increased by 1.7% to 16.97 billion cubic meters, and its LPG sales volume reached 1.98 million tons, total sales revenue amounted to HK$8.42 billion. Approximately 1.05 million households were newly connected, and the cumulative number of households connected reached approximately 46.45 million as at 30 September 2023.

Water Business

Beijing Enterprises Water Group Limited ("BE Water", stock code: 371) focused on the primary business, and continued to strengthen the fundamentals of its operations during the year. It also enhanced cash collection, optimized the asset-liability structure, and insisted on improving the quality and efficiency of stock assets through measures such as managing inefficient assets and upgrading operational models. BE Water's revenue for the year increased by 14.1% year-on-year to RMB24.52 billion, and profit attributable to its shareholders increased by 60% year-on-year to RMB1.896 billion. The net profit attributable to the Group was RMB780 million, representing an increase of 60% year-on-year.

I. BUSINESS REVIEW *(Continued)*

Water Business *(Continued)*

As at 31 December 2023, BE Water already participated in 1,455 water plants which are or will be in operation, including 1,215 sewage treatment plants, 170 water distribution plants, 69 reclaimed water treatment plants and one seawater desalination plant, with a total design capacity of 43.963 million tons/day.

Environmental Business

At the end of 2023, the environmental business segment of the Group realized a waste incineration and power generation treatment capacity of 34,232 tons/day. During the year, EEW Energy from Waste GmbH ("EEW GmbH") actively responded to the impact of the weakened economy in Germany and vigorously expanded its sources of waste imports within Europe, accomplishing a waste treatment volume of 4.876 million tons, a year-on-year increase of 5.8%; energy sales of 4.77 billion kWh, a year-on-year decrease of 2.9%; and a revenue of RMB5.77 billion, a year-on-year increase of 13.6%.

During the year, the domestic environmental business segment of the Group recorded a waste treatment volume of 7.059 million tons, representing a year-on-year increase of 17.3%. It completed an on grid power generation volume of 2.22 billion kWh, representing a year-on-year increase of 21.8%, which was mainly due to the operation commencement of the Beihai and Zhangjiagang projects. The solid waste projects in China, including Beijing Enterprises Environment Group Limited ("BE Environment", stock code: 154) and Beijing Enterprises Holdings Environment Technology Co., Ltd. ("BEHET") achieved a total revenue of RMB2.66 billion during the period. Excluding one-off events, the profit attributable to the shareholders of the Group was RMB405 million, an increase of 27.8% year-on-year. During the period, the domestic environmental business segment had improved its unit efficiency by strengthening operation and management. The sludge collaborative treatment technology of the Gaoantun Project has been promoted to carry out sludge collaborative treatment business in various project companies. The heat and steam supply business has also made progress and was carried out successfully in projects in Changde, Zhangjiagang, Yanzhou and Xixian, hence effectively increased the revenue from waste disposal. During the period, the environmental business continued to expand market and won the bid for urban solid waste incineration project of Shiyan, Hubei. The capital expenditure for the year of the Company's environmental business segment (both domestic and overseas) was approximately RMB3.11 billion.

I. BUSINESS REVIEW *(Continued)*

Beer Business

During the period, Beijing Yanjing Brewery Co., Ltd. ("Yanjing Brewery") intensively propelled its bulk single product strategy in all directions, and comprehensively strengthened the control of market price and product flow of U8 to maintain market sales order; continued to accelerate the construction of high-end channels and completed the research and development as well as the transformation of a number of products; empowered enterprise development with digitalization, carried out digital upgrade to supply chain and management system, and built new production lines to gradually realize intensive production, quality and efficiency improvement; perfected the classification assessment and evaluation mechanism for enterprises and properly pushed forward the elimination of inefficient production capacity to revitalize the stock assets.

During the Reporting Period, Yanjing Brewery achieved a beer sales volume of 3.94 million kiloliters, representing a year-on-year increase of 4.5%, of which, the sales volume of Yanjing U8 recorded 532,400 kiloliters, representing a year-on-year increase of 36.9%. The revenue that Beijing Yanjing Brewery Investments Co., Limited* (北京燕京啤酒投資有限公司) ("Yanjing Limited") recorded was RMB12.33 billion during the period, representing a year-on-year increase of 6.4%, with its profit before taxation of RMB955 million, representing a year-on-year increase of 60.1%. The capital expenditure of Yanjing Limited for the year was approximately RMB600 million.

Major Capital Operations

In 2023, the Group actively dealt with the pressure of rising financial costs, and promoted the financing of RMB debts and the replacement of existing foreign currency debt as scheduled by phases through various means such as cross-border RMB loans, interbank panda bond market, exchange-traded panda bond market, overseas RMB bank loans and overseas RMB short-term bank loans. Among which, the Group successfully issued two phases of panda bonds, totalling 4 tranches with an the aggregated total financing amount of RMB9.25 billion, in the interbank market and on the exchange, with each issuance breaking a number of records for national and local state-owned enterprises in the panda bond market.

I. BUSINESS REVIEW *(Continued)*

Sustainable Development

The Group has been enhancing its environmental, social and governance (ESG) management capabilities in recent years. In the latest ESG rating results recently published by MSCI (明晟), the Company's ESG rating was upgraded by two notches from "BB" to "A", which is a leading rating in the industry. The Company has made significant improvement in environmental score and even ranked the first in the industry in terms of the score in "biodiversity and land protection" indicators.

During the year, the Group has established the overall framework for sustainable development strategy and formulated sustainable development action plans from three time dimensions, namely near, medium and long term. At the same time, it actively promoted the construction of sustainable development systems, and issued a number of sustainable development policies during the year, including the "Anti-bribery and Anti-corruption System", the "Whistleblowing Management System", the "Whistleblower Protection System", the "Policy of Health, Safety and Environment (HSE)"and the "Policy of Climate Change Response".

Principal Risks – Exchange Rate Fluctuation

The Group primarily operates its businesses in the PRC, and 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 2023, the exchange rates of RMB against Hong Kong dollar and U.S. dollar went up before heading south and getting back on track, and the Board did not expect the mild fluctuation of RMB's exchange rate in the future will have a 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 the 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.

II. PROSPECTS

While the global economy is changing at an accelerated pace, China witnesses a steady recovery in its economy, albeit it is still undergoing a critical stage of structural adjustment and transformation, which has posed challenges to the Company in developing the physical industry. In 2024, the Group will speed up the optimization of asset structure for its core business and rebuilding of growth momentum, enhance its refined operations and control capabilities in all aspects, and continuously increase its industrial strength and economic benefits, so as to realize quality and sustainable development.

Beijing Gas

Beijing Gas will continue to consolidate and expand the market in Beijing, and actively seize the opportunities for market development in competitive regions outside Beijing. On the basis of securing the peak adjustment support demand, Tianjin Nangang project will steadily increase the profitability of its early stage production and operation and accelerate the launching of project to the market. At the same time, the remaining construction work of Phases II and III of the said project will be appropriately pushed forward to ensure the smooth commencement of Phase II operation; and coordination will be carried out in developing the LNG resources market to establish a sales network nationwide. It will actively seek international long-term resources of high quality, strive for favorable short- and medium-term contract resources, and seize the opportunity when spot procurement is beneficial. It will guarantee access to domestic upstream resources to optimize the resources structure, actively expand downstream sales by beefing up market development along the export transmission pipeline of Nangang project and vigorously expand the integrated energy heating market to accelerate the development of new energy business.

China Gas

China Gas will consolidate the fundamentals of its natural gas business, focusing on the increase of natural gas sales volume and gross margins of total gas sales. It will push the implementation of the price pass-through mechanism and continue to improve the cash flow of project companies; enlarge the growth potential for value-added business, accelerate the implementation of quality projects in the integrated energy business, and build a whole-chain business model for LPG. It will actively promote the transformation of enterprise from a single natural gas service provider to an integrated energy service supplier, and make use of the existing market to extend and realize multi-industry development. It will also work to build a mechanism connecting the city gas and integrated energy based on the customer's integrated energy scenario and in line with the demand trend, so as to realize synergized development; and move forward its "dual-carbon" efforts on a systematic basis to comprehensively improve its management in carbon peaking and carbon neutrality, and create a green and low-carbon value chain.

II. PROSPECTS *(Continued)*

Water Business

BE Water will lead the transformation towards asset-light through technological development, driving industry growth and serving national strategies, marking the beginning of era of asset-light. Anchoring its strategic goals, it will prioritize cash flow as the core, enhance the fundamentals of its operations and strengthen the foundation of its organization. It will also focus on customer operation, existing operations and business transformation. With unwavering strategic confidence and determination, it will be fully committed to driving BE Water's secondary growth, promoting the continuous improvement of development capabilities and core competitiveness, and achieving high-quality and sustainable development.

Environmental Business

The environmental business segment will increase efforts both within and outside China in constantly improving the output efficiency of projects. For the domestic business, refined operation and management will be actively carried out, in a bid to reduce costs and increase efficiency continuously while improving energy utilization and energy conversion efficiency; fully conduct sludge collaborative treatment, steam supply and heat supply business; and at the same time, intensify the integration of internal and external resources to identify quality project opportunities, increase market share and build core competitiveness. The offshore EEW GmbH will expand solid waste resources channels, reduce operating costs, reasonably control the increase of labor costs, accelerate the pace of putting incremental projects under construction into operation and bring contribution to performance growth as soon as practicable.

II. PROSPECTS *(Continued)*

Beer Business

In the future, Yanjing Brewery will continue to focus on its core strategy and promote quality reform. It will continue to deepen the construction of a premier management system, and continue the optimization and improvement in aspects including quality management, cost control and production efficiency. It will also firmly push forward the strategy of bulk single products, keep on enriching the product matrix and launching differentiated products, and increase the share of medium- and high-end products driven by the innovation of marketing and products. In addition, it will facilitate digital transformation and upgrade alongside improving the overall cost structure to unleash new growth potential. It will speed up the elimination of the low-efficiency production capacity and the revitalization of idle stock assets, and coordinate and integrate the utilization of regional production capacity; it will increase efforts in the implementation of tenure system and contractual management of enterprise managers to activate team vibrancy.

III. FINANCIAL REVIEW

Revenue

The revenue of the Group in 2023 was RMB82.31 billion, which increased by 3.7% as compared with 2022. Of which, the revenue of Beijing Gas was RMB61.47 billion, representing a year-on-year increase of 2.7%, which accounted for 74.7% of total revenue. The revenue from beer sales was RMB12.33 billion, which accounted for 15% of total revenue. The solid waste treatment businesses contributed a total revenue of RMB8.43 billion, which accounted for 10.2% of total revenue, including the revenue of EEW GmbH amounted to RMB5.77 billion.

Cost of Sales

Cost of sales increased by 4% to RMB71.58 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 2023, the overall gross profit margin was 13%, slightly decreased by 0.3% when compared with 13.3% last year, which was mainly due to the increased cost of Beijing Gas.

Other Income

Other income was mainly comprised of government grants of RMB397 million; gain on transfer of assets from customers of RMB44 million and bank interest income amounting to RMB892 million.

III. FINANCIAL REVIEW *(Continued)*

Selling and Distribution Expenses

Selling and distribution expenses of the Group in 2023 were RMB2.0 billion, which increased by 3.6% year-on-year, mainly attributable to the increase from Yanjing Brewery.

Administrative Expenses

Administrative expenses of the Group in 2023 were RMB6.28 billion, which increased by 11.3% year-on-year, mainly incurred by the increased administrative expenses of Beijing Gas.

Other Operating Expenses, net

For the current year, it was mainly the reversal of the impairment of the solid waste business assets recognized in prior years, while the impairment of certain assets of the solid waste business was included in last year.

Finance Costs

The finance costs of the Group in 2023 were RMB2.64 billion, which increased by 48.4% when compared to last year, mainly due to the increase in the cost of loans as a result of the increase of global interest rates.

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, the 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 2023, the Group shared the profit after taxation of PipeChina Beijing Pipeline Co. amounting to RMB2.44 billion, the profit after taxation of VCNG amounting to RMB1.04 billion, the profit after taxation of China Gas amounting to RMB585 million and the net profit of BE Water amounting to RMB780 million.

Taxation

After deducting the share of profits and losses of associates and joint ventures, the effective income tax rate was 44.2%, which was higher than 31.7% last year and was mainly due to the fact that relevant finance costs of part of the overseas loans were not deductible for tax.

Profit Attributable to Shareholders of the Company

The profit attributable to the shareholders of the Company for the year ended 31 December 2023 was RMB5.5 billion.

IV. FINANCIAL POSITION OF THE GROUP

Non-current Assets

Property, plant and equipment

The net book value of property, plant and equipment was approximately RMB59.75 billion, which increased by 6.4% over last year, which was mainly attributable to the increase in construction projects of Beijing Gas and EEW.

Other intangible assets

Other intangible assets were mainly from EEW GmbH.

Investments in associates

The increase in the balance of RMB2.22 billion was mainly due to the Group's share of profit of VCNG, PipeChina Beijing Pipeline Co., Beijing Enterprises Water Group and China Gas.

Prepayments, other receivables and other assets

The balances increased by RMB1.9 billion, which was mainly composed of time deposits and certificates of deposit of Beijing Gas in bank with maturity over one year.

Current Assets

Inventories

It mainly represented the inventory balance of Yanjing Brewery.

Receivables under a finance lease

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

Trade receivables

The balance decreased by RMB494 million, which 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 balance slightly decreased by RMB357 million, which mainly because Beijing Gas received the dividends receivable of PipeChina Beijing Pipeline Co. at the end of 2022, offsetting the impact of the increase in other receivables.

Cash and bank borrowings

As at 31 December 2023, cash and bank deposits held by the Group amounted to RMB28.86 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.

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

Current Assets *(Continued)*

Cash and bank borrowings (Continued)

The Group's total borrowings amounted to RMB76.25 billion as at 31 December 2023, which mainly comprised guaranteed bonds and senior notes of US$1.8 billion in total, Euro guaranteed bonds amounting to EUR0.9 billion, RMB corporate bonds amounting to RMB9.25 billion and RMB bank loans amounting to RMB33.0 billion. Around 55.3% of the total borrowings were denominated in RMB, 23% in US and Hong Kong dollars and 21.7% in Euro. The Group had net borrowings of RMB47.39 billion as at 31 December 2023, which increased by 17% over last year.

Non-current Liabilities

Bank and other borrowings

There was an increase of RMB7.28 billion in long-term and short-term balances in total, which was due to the issuance of RMB corporate bonds and refinance of bank loans with the RMB corporate bonds during the year.

Guaranteed bonds and notes

The balance increased by RMB863 million, mainly due to the depreciation of RMB during the year, which resulted in an increase in the balance of US dollar guaranteed notes and Euro guaranteed bonds converted into RMB for presentation.

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 RMB957 million was mainly due to year-on-year decrease in prepayments of Beijing Gas.

Liquidity and Capital Resources

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 at the end of 2023, the issued share capital of the Company amounted to 1,260,203,268 shares and the shareholders' equity was RMB81 billion. Total equity was RMB93.05 billion. The gearing ratio, being 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 45% (2022: 43%).

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

EXECUTIVE DIRECTORS

YANG Zhichang, aged 54, is the Executive Director and Chairman of the Company, also serves as Vice General Manager of Beijing Enterprises Group Company Limited. Mr. Yang graduated from the department of management engineering of Beijing University of Posts and Telecommunications with posts and telecommunications management engineering qualification in 1991 and obtains a doctorate degree in management from the department of industrial economics from Chinese Social Science Post-graduate Faculty with enterprise management qualification in 2009. He worked at Beijing University of Posts and Telecommunications from 1991 to 2001. He was a deputy general manager of the sales department of 北京東方廣場 (Beijing Oriental Plaza) of 南方證券公司 (China Southern Securities Co.) from 2001 to 2002. He was a director and vice president of 北京正通網絡通信有限公司 (Beijing Zhengtong Network Communication Co., Ltd.) from 2002 to 2006. He was a manager of the investment development department of Beijing Holdings Limited from 2006 to 2010. From 2010 to 2019, he was a manager of the strategic development department, a manager of the reform and development department and an assistant to general manager of Beijing Enterprises Group Company Limited. From 2019 to 2022, he was an assistant to general manager of Beijing Enterprises Group Company Limited and a director and a general manager of Beijing Holdings Limited. He has been a Vice General Manager of Beijing Enterprises Group Company Limited since 2022. Mr. Yang was appointed as Executive Director and Chairman of the Company in October 2023.

JIANG Xinhao, aged 59, 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.

DIRECTORS AND SENIOR MANAGEMENT

XIONG Bin, aged 57, 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.

GENG Chao, aged 49, is the Executive Director of the Company. He also serves as the chairman of 北京燕京啤酒集團有限公司 (Beijing Yan Jing Beer Group Company Limited) and the chairman of 北京燕京啤酒股份有限公司 (Beijing Yanjing Brewery Co., Ltd.) (listed on The Shenzhen Stock Exchange, stock code: 000729). Mr. Geng graduated from the Liberation Army Engineer Corps Engineering Institute with construction engineering qualification in 1998 and obtain a master's degree in law from Peking University in 2009. He worked at the Policy and Regulation Division and Comprehensively Deepening the Reform of Municipal State-owned Enterprises Work Office of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality from 2004 to 2018. He served as Director of the State-owned Assets Supervision and Administration Commission of People's Government of Shunyi District, Beijing Municipality from 2018 to 2020. Mr. Geng was appointed as Executive Director of the Company in July 2023.

TAM Chun Fai, aged 61, 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 72, 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 85, 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 85, 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), Permanent Honorary President 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 55, 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.

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, Qingdao Arbitration Commission and South China International Arbitration Centre (Hong Kong). 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.

SENIOR MANAGEMENT

ZHI Xiaoye, aged 56, is Vice President of the Company. Mr. Zhi graduated from Beijing University of Technology with a master's degree in Management Science and Engineering, possesses the title of professor-level 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 (北京市鼎新新技術有限公司) as Chairman and at Beijing Gas Group Company Limited as Executive Deputy General Manager. He was also the 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 has plenty of experience in pipe gas business and corporate management. Mr. Zhi was appointed as Vice President of the Company in July 2014.

SHA Ning, aged 53, 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 56, is Vice President of the Company. Mr. Chen also serves as Executive Director, Chairman 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 51, 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 presents their report and the audited financial statements of the Group for the year ended 31 December 2023.

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. There was no significant change in the nature of the Group's principal activities during the year.

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 8 to 19 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 50 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 4 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. Taking advantage of our core business, we actively communicated the concept of low-carbon environmental protection to the society.

The Company responds to the national "dual-carbon" strategy, and addresses climate change risks as an important topic concerned. During the year, the Company issued the "Policy of Climate Change Response" and used the gas business segment as a pilot unit to carry out the analysis and assessment of climate-related risks and opportunities, and then set up response measures and key target indicators in order to strengthen its ability to deal with climate change risks and ensure its sustainable and stable operation. Details are published in the Company's first "Climate Action Progress Report".

The Company has issued the "Supervision and Management Measures on Environmental Protection", the "Policy of Health, Safety and Environment (HSE)" and the "Management Policy of Biodiversity Protection" to improve our environmental management system, and 39 subsidiaries in total have been externally certified to ISO14001 environmental management system. The Company discloses its greenhouse gas emissions data on a regular basis, and updates the data scope during the year to further deepen the comprehensiveness and scientificity of data statistics. At the same time, the Company continues to optimize the operation model and enhance energy and resource conservation and utilization, requiring each business segment to set energy management targets based on the actual situation, and is committed to continuously reducing its carbon footprint.

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 reviews and monitors 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.

RELATIONSHIPS WITH STAKEHOLDERS

Stakeholders	Topics concerned	Response channel	Effectiveness of communication
Government and Regulatory Authorities	Legal and compliant operations Pay taxes according to relevant laws Increase employment opportunities, promote sustainable and healthy economic development	Daily report and communication Seminars and on-site meetings Forums and exchange programmes	Develop strategic cooperation with local governments Create a good external environment for enterprise development
Shareholders and investors	Satisfactory investment returns Favourable market capitalisation Transparent and responsible operations Improvement of profitability and core competitiveness	Annual reports and announcements Roadshows and investors meetings Telephone conferences with analysts Annual general meetings Company website	Establish good relationships with investors Continuous improvement on credibility with investors Obtain support from investors and shareholders on material decisions
Customers	Continuous and stable supply of products High-quality and safe products Considerate and convenient services Smooth communication channels	Customer forums Telephone service hot-line Community service centers Customer satisfaction surveys	Continuous improvement on business operation based on customers' feedbacks Efficient and timely solutions for customers' complaints Continuous improvement on customers services

RELATIONSHIPS WITH STAKEHOLDERS *(Continued)*

Stakeholders	Topics concerned	Response channel	Effectiveness of communication
Business Partner	Fair procurement Integrity and reciprocity Long-term and stable cooperations	Supplier conferences Strategic cooperations	Formulate supplier management methods, improve supply chain efficiency Facilitate co-development of upstream and downstream business partners
Staff	Comprehensive rights and benefits Good platform for career development Work-life balance Occupational health and safety	Employee representatives congress Complaint mailbox Employee satisfaction surveys	Communication and interaction among staff and between superiors and subordinates Create a harmonious workplace Build a healthy and safe working environment
Communities and non-governmental organisations	Community development Establishment of a harmonious community Improvement in community environment Open and transparent information	Science popularisation activities Community dissemination Participation in public welfare and environmental protection activities	Establish good relationships with local communities Create a good external environment for enterprise development

RELATIONSHIPS WITH STAKEHOLDERS *(Continued)*

Stakeholders	Topics concerned	Response channel	Effectiveness of communication
Media	Financial performance Corporate governance Information disclosure	Annual reports and announcements Annual and interim results presentations News releases and publications Media interview Media inquiries	Establish a good relationship with the media Maintain company image and receive public recognition
Environment	Emissions management Use of resources Biodiversity protection Response to climate change	Annual reports and announcements Sustainability reports TCFD reports Company website	Achieve emission reduction targets Achieve resource conservation Preserve the ecosystem where projects operate Practice green and low-carbon operations

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2023 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 60 to 206.

An interim dividend of HK$0.93 per ordinary share was paid on 27 October 2023. The Board recommended the payment of a final dividend of HK$0.67 per share for the year ended 31 December 2023 payable to Shareholders whose names appear on the register of members of the Company on 17 June 2024. Subject to the approval of Shareholders at the 2024 AGM, the final dividend will be paid on 9 August 2024.

The final dividend will be payable in cash to each Shareholder in HK$ unless an election is made to receive the same in RMB.

Shareholders will be given the option to elect to receive all (but not part) of the final dividend in RMB at the average benchmark exchange rate of HK$ to RMB announced by the People's Bank of China for the five business days prior to and including the date of the 2024 AGM. To make such election, Shareholders should complete the dividend currency election form, which is expected to be despatched to Shareholders on or about Tuesday, 25 June 2024, and return it to the share registrar of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 10 July 2024.

Shareholders who are minded to elect to receive all (but not part) of their dividends in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will be honored for payment upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant Shareholders by ordinary post on Friday, 9 August 2024 at the Shareholders' own risk.

If Shareholders wish to receive the final dividend in HK$ in the usual way, no additional action is required.

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

AGM

The 2024 AGM will be held on Thursday, 6 June 2024. The notice of the 2024 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 2024 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 2024 AGM:

Latest time to lodge transfer documents for registration	4:30 pm on Friday, 31 May 2024
Closure of register of members	Monday, 3 June 2024 to Thursday, 6 June 2024 (both dates inclusive)
2024 AGM	Thursday, 6 June 2024

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

Latest time to lodge transfer documents for registration	4:30 pm on Wednesday, 12 June 2024
Closure of register of members	Thursday, 13 June 2024 to Monday, 17 June 2024 (both dates inclusive)
Record date	Monday, 17 June 2024

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2024 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.

EMPLOYEES

As at 31 December 2023, the Group had approximately 31,000 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 2023 is set out on pages 207 to 208. 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 Company and 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 32 to the financial statements.

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

ISSUE OF DEBENTURES

During the year ended 31 December 2023, the following medium-term notes and corporate bonds were issued by the Company to raise funds for the repayment of the Group's existing bank loans:

Medium-term notes/Corporate bonds	**Amount issued** *RMB*	**Interest rate**	**Final maturity**
2023 Medium-Term Notes Series 1	4,000,000,000	2.95%	March 2026
2023 Medium-Term Notes Series 2	3,000,000,000	2.89%	July 2026
2023 Corporate Bond (Series 1)	1,000,000,000	2.86%	July 2026
2023 Corporate Bond (Series 2 – Category 1)	650,000,000	2.90%	October 2025
2023 Corporate Bond (Series 2 – Category 2)	600,000,000	3.30%	October 2028
Total	**9,250,000,000**		

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on the Hong Kong Stock Exchange.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 52 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the provisions of part 6 of the Companies Ordinance amounted to RMB761,346,000 (2022: RMB1,192,153,000).

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

YANG Zhichang	(appointed on 26 October 2023)
JIANG Xinhao	
XIONG Bin	
GENG Chao	(appointed on 8 July 2023)
TAM Chun Fai	
DAI Xiaofeng	(resigned on 26 October 2023)

Independent Non-executive Directors

WU Jiesi
LAM Hoi Ham
YU Sun Say
CHAN Man Ki Maggie

In accordance with articles 98 and 107 of the Articles of Association and the recommendation of the Board, Mr. YANG Zhichang, Mr. JIANG Xinhao, Mr. XIONG Bin, Mr. GENG Chao and Dr. YU Sun Say will retire and, being eligible, will offer themselves for re-election at the 2024 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 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 2023 or during the period from 1 January 2023 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, the Board changes are as follows:

(i) Mr. GENG Chao has been appointed as Executive Director on 8 July 2023.

(ii) Mr. DAI Xiaofeng 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 26 October 2023.

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

(iii) Mr. YANG Zhichang has been appointed 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 26 October 2023.

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:

Ms. CHAN Man Ki Maggie has been appointed as an independent non-executive director of Nine Dragons Paper (Holdings) Limited, which is listed on the HKSE (stock code: 2689), on 6 February 2023. She has also been appointed as an Arbitrator of South China International Arbitration Center (Hong Kong) on 13 October 2023.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the Senior Management are set out on pages 20 to 24 of this Report.

DIRECTOR'S SERVICE CONTRACT

No Director proposed for re-election at the 2024 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 39 to 53 of this Report.

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 2023, the interests and short positions of the Directors and the Chief Executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) entered in the register required to be kept pursuant to Section 352 of the SFO, or (iii) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code as set out in the Listing Rules, 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
JIANG Xinhao	20,000	0.002%
XIONG Bin	40,000	0.003%
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 2023, 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.

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 debentures 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 2023, 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:

	Number of ordinary shares held, capacity and nature of interest			
Name	**Directly beneficially owned**	**Others**	**Total**	**Percentage of the Company's total number of issued shares**
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 2023, 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions and continuing connected transactions undertaken by the Group during the year are set out in note 46 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.

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	Specific performance obligations
5 May 2011	Purchase agreement for issuance of senior notes	US$400	May 2041	*Note 1*
1 December 2015	Subscription agreement for issuance of bonds	US$200	December 2040	*Note 1*
17 September 2020	Subscription agreement for issuance of bonds	EUR500	September 2025	*Note 1*
28 April 2021	Subscription agreement for issuance of bonds	US$300	May 2026	*Note 1*

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	Specific performance obligations
28 April 2021	Subscription agreement for issuance of bonds	US$400	May 2031	*Note 1*
24 March 2023	Issuance of medium-term notes	RMB4,000	March 2026	*Note 2*
30 June 2023	Term loan facility with respective banks	RMB4,100	July 2024	*Note 1*
12 July 2023	Issuance of medium-term notes	RMB3,000	July 2026	*Note 2*
13 July 2023	Term loan facility with a bank	RMB4,500	July 2024	*Note 1*
24 August 2023	Term loan facility with a bank	RMB2,000	August 2024	*Note 1*
18 September 2023	Term loan facility with a bank	RMB7,000	September 2024	*Note 1*
20 October 2023	Term loan facility with a bank	RMB1,500	October 2024	*Note 1*
15 January 2024	Issuance of ultra short-term commercial papers	RMB2,000	October 2024	*Note 2*

Notes:

1. (a) 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 (b) if BE Group ceases to be controlled and supervised, where applicable, by the People's Government of Beijing Municipality or SASAC of Beijing Municipality.

2. (a) If there is a change of control: change of beneficial controller of the Company; and (b) there is a change in credit rating within six months of the date of such change of control: offshore rating of the Company downgraded to non-investment grade.

The Agreements include certain conditions imposing specific performance obligations on the Company's holding companies. Breach of the above specific performance obligations will constitute events of default.

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 2023.

DONATIONS

During the year, the Group's total donations to public welfare projects were approximately RMB7.35 million.

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 2024 AGM.

ON BEHALF OF THE BOARD

YANG Zhichang
Chairman

Hong Kong
27 March 2024

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company strives to maintain a high standard of corporate governance, and strictly complies with the requirements under the Listing Rules in respect of corporate governance and other areas. The Company uphold the principles of a systematic, scientific, open and efficient corporate governance in establishing and implementing a comprehensive set of corporate governance structure and governance measures, to ensure compliance with the rules in implementing any company policies under the supervision of the Board.

The Directors believe that the Company complied with the code provisions of the "Corporate Governance Code" (the "Code Provisions") as set out in Appendix C1 to the Listing Rules for the year ended 31 December 2023.

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, environment 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 realise 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 2023.

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.

THE BOARD *(Continued)*

Board Diversity Policy *(Continued)*

Having reviewed the Board composition, the Board recognises 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.

THE BOARD *(Continued)*

Composition and Role *(Continued)*

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

Name	Attendance[1]						
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Investment Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors							
YANG Zhichang[2]	1/1		0/0	0/0	0/0	0/0	0/0
JIANG Xinhao	6/6				0/0	1/1	0/1
XIONG Bin	6/6					1/1	1/1
GENG Chao[3]	3/3					0/0	1/1
TAM Chun Fai	6/6					1/1	1/1
DAI Xiaofeng[4]	5/5		1/1	2/2	0/0	1/1	1/1
Independent Non-executive Directors							
WU Jiesi	6/6	3/3	1/1			1/1	1/1
LAM Hoi Ham	6/6	3/3	1/1		0/0	1/1	1/1
YU Sun Say	6/6	3/3		2/2		1/1	1/1
CHAN Man Ki Maggie	5/6			2/2	0/0	1/1	1/1

Notes:

1. During the year, no meeting was attended by any Director's alternate.
2. Appointed on 26 October 2023.
3. Appointed on 8 July 2023.
4. Resigned on 26 October 2023.

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 statues, 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.

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
Executive Directors		
YANG Zhichang	(appointed on 26 October 2023)	✓
JIANG Xinhao		✓
XIONG Bin		✓
GENG Chao	(appointed on 8 July 2023)	✓
TAM Chun Fai		✓
DAI Xiaofeng	(resigned on 26 October 2023)	N/A
Independent Non-executive Directors		
WU Jiesi		✓
LAM Hoi Ham		✓
YU Sun Say		✓
CHAN Man Ki Maggie		✓

Chairman and CEO

Mr. YANG Zhichang 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.

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.

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 2022 continuing connected transactions of the Company; reviewed with the management the Company's accounting principles and practices; discussed with the Company's management the effectiveness of its risk management and internal control systems; and discussed and accepted the external auditor's audit plan for 2023.

REMUNERATION COMMITTEE

The current members of the Remuneration Committee are:

Mr. WU Jiesi – Committee Chairman
Mr. YANG Zhichang
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; and ensures that no Director or any of his associate is involved in deciding his own remuneration.

REMUNERATION COMMITTEE *(Continued)*

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, 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; and considered the amendments to the Terms of Reference for Remuneration Committee.

NOMINATION COMMITTEE

The current members of the Nomination Committee are:

Mr. YANG Zhichang – 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.

During the year, the Nomination Committee reviewed the structure, size, composition and diversity of the Board; assessed the independence of the Independent Non-executive Directors; considered and recommended to the Board the re-appointment of the retiring Directors; and considered and recommended to the Board for the appointments of the Chairman of the Board and Executive Directors.

NOMINATION COMMITTEE *(Continued)*

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.

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. YANG Zhichang – 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 2023, 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:

	RMB'000
Annual audit service fees paid and payable to:	
Auditor of the Company	9,640
Auditor of an associate	5,045
Non-audit service fees paid and payable to auditor of the Company*	6,623
	21,308

* *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.*

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 2023 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 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 organise 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.

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 2023 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 risk management and internal control systems during 2023. The yearly review covers all material controls, including financial, operational and compliance controls and the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions.

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 wavier 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 of the Company, 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 2023, 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.

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, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, or call its customers service hotline at (852) 2980 1333.

2. Enquiries made to the Board may be deposited at the Company's registered office at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong 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.

SHAREHOLDERS' RIGHTS *(Continued)*

To Put forward Proposals at an AGM *(Continued)*

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.

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.

SHAREHOLDERS' RIGHTS *(Continued)*

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 2023, the Group had a staff gender ratio of 71.4% male and 28.6% female (including Directors, Senior Management and other staff).

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 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 presentations, briefings, roadshows, emails and phone calls.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2023, 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.

The Board always recognises the close relationship between shareholders' returns and the high quality and sustainable development of the Company. In order to proactively reward investors and build a long-term, stable, mutual trust and mutually beneficial relationship with Shareholders, the Company has formulated a dividend distribution plan for the years 2023-2025 in July 2023 and updated the dividend distribution plan for the years 2024-2026 in April 2024. Having fully considered the Company's current development stage, future capital expenditure plans, cash flow position, and based on adequate communication with the subsidiaries and subject to the provisions of the Articles of Association and dividend policy, it is expected that the dividend per share of the Company for the years 2024-2026 will be not less than 35% of the recurring earnings per share and the dividend per share for the years 2024-2026 will be not less than HK$1.6. The Company may propose a further optimised dividend distribution plan from time to time based on the growth of the financial results of the Company.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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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 60 to 206, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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 ("HKSAs") 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.

EY 安永

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
At 31 December 2023, the goodwill carried in the Group's financial statements was approximately RMB14.8 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 testing, 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.

EY 安永

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
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.

EY 安永

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.

EY 安永

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 HKSAs 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 HKSAs, 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.

EY 安永

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
27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
REVENUE	5	**82,313,331**	79,375,036
Cost of sales		**(71,584,678)**	(68,806,773)
Gross profit		**10,728,653**	10,568,263
Other income and gains, net	6	**2,087,808**	2,132,540
Selling and distribution expenses		**(2,002,091)**	(1,931,707)
Administrative expenses		**(6,278,523)**	(5,641,616)
Other operating expenses, net		**68,785**	(375,968)
Finance costs	7	**(2,644,327)**	(1,781,883)
Share of profits and losses of:			
Joint ventures		**(25,121)**	25,627
Associates	22(b), (c)	**5,331,994**	5,051,952
PROFIT BEFORE TAX	8	**7,267,178**	8,047,208
Income tax	11	**(865,887)**	(940,150)
PROFIT FOR THE YEAR		**6,401,291**	7,107,058
ATTRIBUTABLE TO:			
Shareholders of the Company		**5,498,290**	6,512,480
Non-controlling interests		**903,001**	594,578
		6,401,291	7,107,058
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted	13	**RMB4.36**	RMB5.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
PROFIT FOR THE YEAR		**6,401,291**	7,107,058
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(706,711)**	(3,452,614)
Share of other comprehensive loss of associates		**(930,229)**	(2,200,005)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(1,636,940)**	(5,652,619)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Defined benefit obligations:			
Actuarial gains/(losses)	*36(b)*	**(266,805)**	491,089
Income tax effect	*39*	**70,506**	(141,361)
		(196,299)	349,728
Equity investments at fair value through other comprehensive income:			
Changes in fair value		**(16,630)**	(213,194)
Income tax effect	*39*	**2,478**	(23,991)
		(14,152)	(237,185)
Exchange differences on translation of the Company's financial statements		**(217,788)**	1,897,396
Share of other comprehensive loss of associates		**(48,349)**	(160,945)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**(476,588)**	1,848,994
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		**(2,113,528)**	(3,803,625)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,287,763**	3,303,433
ATTRIBUTABLE TO:			
Shareholders of the Company		**3,435,986**	2,702,453
Non-controlling interests		**851,777**	600,980
		4,287,763	3,303,433

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
ASSETS				
Non-current assets:				
Property, plant and equipment	*14*	**59,749,529**	56,136,476	49,720,454
Investment properties	*15*	**1,180,403**	1,183,010	995,356
Right-of-use assets	*16(b)*	**2,502,633**	2,020,860	2,025,922
Goodwill	*17*	**14,841,407**	14,304,235	13,327,936
Operating concessions	*18*	**4,799,429**	5,018,059	4,343,740
Other intangible assets	*19*	**2,651,019**	2,543,533	2,610,786
Investments in joint ventures	*21*	**295,703**	221,895	273,285
Investments in associates	*22*	**58,857,864**	56,641,488	54,490,661
Equity investments at fair value through other comprehensive income	*23*	**1,821,813**	1,983,136	2,298,326
Financial asset at fair value through profit or loss	*24*	**–**	–	2,068,954
Receivables under service concession arrangements	*18*	**3,513,087**	2,960,111	2,759,485
Receivable under a finance lease	*16(a)*	**–**	375,521	456,216
Prepayments, other receivables and other assets	*27*	**6,047,652**	4,142,967	2,315,108
Deferred tax assets	*39*	**2,033,262**	1,570,643	1,724,062
Total non-current assets		**158,293,801**	149,101,934	139,410,291

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
Current assets:				
Inventories	25	**5,149,652**	4,998,955	5,099,535
Receivables under service concession arrangements	18	**131,246**	120,923	99,258
Receivable under a finance lease	16(a)	**347,814**	88,010	80,783
Trade receivables	26	**4,400,278**	4,894,238	5,460,943
Prepayments, other receivables and other assets	27	**6,440,545**	6,797,020	4,786,778
Other tax recoverables		**512,188**	393,152	491,193
Restricted cash and pledged deposits	29	**18,346**	151,307	29,486
Cash and cash equivalents	30	**28,858,361**	27,585,590	27,255,815
		45,858,430	45,029,195	43,303,791
Non-current assets classified as held for disposal	14(d)	**302,475**	–	–
Assets of disposal groups classified as held for sale	31	**–**	411,674	–
Total current assets		**46,160,905**	45,440,869	43,303,791
TOTAL ASSETS		**204,454,706**	194,542,803	182,714,082

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Share capital	32	**28,340,052**	28,340,052	28,340,052
Reserves	33(a)	**52,657,672**	50,789,517	50,361,670
		80,997,724	79,129,569	78,701,722
Non-controlling interests		**12,051,641**	11,544,484	10,733,192
TOTAL EQUITY		**93,049,365**	90,674,053	89,434,914
Non-current liabilities:				
Bank and other borrowings	34	**22,174,394**	27,639,922	22,794,129
Guaranteed bonds and notes	35	**19,667,812**	18,804,716	14,641,048
Lease liabilities	16(b)	**449,239**	425,720	485,574
Defined benefit obligations	36(b)	**2,379,977**	1,976,267	2,343,307
Provision for major overhauls and onerous contracts	37	**282,633**	226,958	308,245
Other non-current liabilities	38	**2,083,212**	1,878,606	1,618,919
Deferred tax liabilities	39	**2,144,049**	2,091,640	2,047,720
Total non-current liabilities		**49,181,316**	53,043,829	44,238,942

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
Current liabilities:				
Trade and bills payables	*40*	**4,774,703**	4,883,339	3,547,431
Other payables, accruals and contract liabilities	*41*	**21,422,079**	22,379,430	22,197,557
Provision for major overhauls and onerous contracts	*37*	**44,477**	41,735	41,076
Income tax payables		**1,020,055**	902,711	1,024,564
Other tax payables		**378,732**	394,977	320,213
Bank and other borrowings	*34*	**34,403,393**	21,660,023	7,527,083
Guaranteed bonds and notes	*35*	**–**	–	14,082,086
Lease liabilities	*16(b)*	**180,586**	318,568	300,216
		62,224,025	50,580,783	49,040,226
Liabilities directly associated with the assets of disposal groups classified as held for sale	*31*	**–**	244,138	–
Total current liabilities		**62,224,025**	50,824,921	49,040,226
TOTAL LIABILITIES		**111,405,341**	103,868,750	93,279,168
TOTAL EQUITY AND LIABILITIES		**204,454,706**	194,542,803	182,714,082

Yang Zhichang
Director

Tam Chun Fai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

		Attributable to shareholders of the Company										
	Notes	Share capital RMB'000	Capital reserve RMB'000 (note 33(b))	Investment revaluation reserve RMB'000	Property revaluation reserve RMB'000	Defined benefit plan reserve RMB'000	Exchange fluctuation reserve RMB'000	PRC reserve funds and other reserves RMB'000 (note 33(c))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2022 (restated)												
At 1 January 2022		28,340,052	1,555,908	(296,775)	72,227	(270,996)	(2,155,775)	12,666,384	38,790,697	78,701,722	10,733,192	89,434,914
Profit for the year		–	–	–	–	–	–	–	6,512,480	6,512,480	594,578	7,107,058
Other comprehensive income/(loss) for the year:												
Exchange differences on translation of foreign operations and the Company's financial statements		–	–	–	–	–	(1,557,754)	–	–	(1,557,754)	2,536	(1,555,218)
Defined benefit obligations:												
Actuarial gains	*36(b)*	–	–	–	–	485,984	–	–	–	485,984	5,105	491,089
Income tax effect	*39*	–	–	–	–	(140,122)	–	–	–	(140,122)	(1,239)	(141,361)
Equity investments at fair value through other comprehensive income:												
Changes in fair value		–	–	(213,194)	–	–	–	–	–	(213,194)	–	(213,194)
Income tax effect	*39*	–	–	(23,991)	–	–	–	–	–	(23,991)	–	(23,991)
Share of other comprehensive loss of associates		–	–	(159,246)	–	(1,699)	(2,200,005)	–	–	(2,360,950)	–	(2,360,950)
Total comprehensive income/(loss) for the year		–	–	(396,431)	–	344,163	(3,757,759)	–	6,512,480	2,702,453	600,980	3,303,433
Repurchase of Company's shares	*32*	–	–	–	–	–	–	–	(39,011)	(39,011)	–	(39,011)
Acquisition of subsidiaries	*43*	–	–	–	–	–	–	–	–	–	483,487	483,487
Acquisition of non-controlling interests with a deficit balance		–	(75,661)	–	–	–	–	–	–	(75,661)	75,661	–
Share of reserves of associates		–	(727,217)	–	–	–	–	–	–	(727,217)	–	(727,217)
Final 2021 dividend		–	–	–	–	–	–	–	(890,378)	(890,378)	–	(890,378)
Interim 2022 dividend	*12*	–	–	–	–	–	–	–	(542,339)	(542,339)	–	(542,339)
Dividends paid to non-controlling equity holders of subsidiaries		–	–	–	–	–	–	–	–	–	(348,836)	(348,836)
Transfer to PRC reserve funds and other reserves		–	–	–	–	–	–	3,144,751	(3,144,751)	–	–	–
At 31 December 2022		28,340,052	753,030*	(693,206)*	72,227*	73,167*	(5,913,534)*	15,811,135*	40,686,698*	79,129,569	11,544,484	90,674,053

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

		Attributable to shareholders of the Company										
	Notes	Share capital *RMB'000*	Capital reserve *RMB'000* *(note 33(b))*	Investment revaluation reserve *RMB'000*	Property revaluation reserve *RMB'000*	Defined benefit plan reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	PRC reserve funds and other reserves *RMB'000* *(note 33(c))*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Year ended 31 December 2023												
At 1 January 2023 (Restated)		28,340,052	753,030	(693,206)	72,227	73,167	(5,913,534)	15,811,135	40,686,698	79,129,569	11,544,484	90,674,053
Profit for the year		–	–	–	–	–	–	–	5,498,290	5,498,290	903,001	6,401,291
Other comprehensive income/(loss) for the year:												
Exchange differences on translation of foreign operations and the Company's financial statements		–	–	–	–	–	(873,785)	–	–	(873,785)	(50,714)	(924,499)
Defined benefit obligations:												
Actuarial losses	*36(b)*	–	–	–	–	(266,176)	–	–	–	(266,176)	(629)	(266,805)
Income tax effect	*39*	–	–	–	–	70,387	–	–	–	70,387	119	70,506
Equity investments at fair value through other comprehensive income:												
Changes in fair value		–	–	(16,630)	–	–	–	–	–	(16,630)	–	(16,630)
Income tax effect	*39*	–	–	2,478	–	–	–	–	–	2,478	–	2,478
Share of other comprehensive income/(loss) of associates		–	–	(66,918)	15,411	3,158	(930,229)	–	–	(978,578)	–	(978,578)
Total comprehensive income/(loss) for the year		–	–	(81,070)	15,411	(192,631)	(1,804,014)	–	5,498,290	3,435,986	851,777	4,287,763
Capital contribution from non-controlling equity holders of subsidiaries		–	–	–	–	–	–	–	–	–	25,173	25,173
Acquisition of non-controlling interests		–	(2,294)	–	–	–	–	–	–	(2,294)	2,294	–
Disposal of subsidiaries		–	(17)	–	–	–	–	–	29,021	29,004	16,109	45,113
Share of reserves of associates		–	653,458	14,301	–	–	–	–	(14,301)	653,458	–	653,458
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income		–	–	51,425	–	–	–	–	(51,425)	–	–	–
Final 2022 dividend	*12*	–	–	–	–	–	–	–	(1,192,153)	(1,192,153)	–	(1,192,153)
Interim 2023 dividend	*12*	–	–	–	–	–	–	–	(1,055,846)	(1,055,846)	–	(1,055,846)
Dividends paid to non-controlling equity holders of subsidiaries		–	–	–	–	–	–	–	–	–	(388,196)	(388,196)
Transfer to PRC reserve funds and other reserves		–	(948,081)	–	–	–	(64,849)	723,546	289,384	–	–	–
At 31 December 2023		28,340,052	456,096*	(708,550)*	87,638*	(119,464)*	(7,782,397)*	16,534,681*	44,189,668*	80,997,724	12,051,641	93,049,365

* *These reserve accounts comprise the consolidated reserves of RMB52,657,672,000 (2022: RMB50,789,517,000 (restated)) in the consolidated statement of financial position as at 31 December 2023.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**7,267,178**	8,047,208
Adjustments for:			
Bank interest income	6	**(891,612)**	(591,348)
Finance income on the net investment in a finance lease	6	**(32,416)**	(35,092)
Transfer of assets from customers	6	**(43,957)**	(39,929)
Dividend income of equity investments at fair value through other comprehensive income	6	**(28,418)**	(32,481)
Investment income of a financial asset at fair value through profit or loss	6	**–**	(246,615)
Gain on disposal of items of property, plant and equipment, net	6	**(19,853)**	(27,979)
Gain on remeasurement of the pre-existing interest in an associate to acquisition-date fair value	6	**–**	(175,439)
Finance costs	7	**2,644,327**	1,781,883
Depreciation of property, plant and equipment	8	**3,285,563**	3,299,909
Depreciation of right-of-use assets	8	**316,693**	341,548
Amortisation of operating concessions	8	**277,720**	209,536
Amortisation of other intangible assets	8	**226,992**	191,613
Impairment of property, plant and equipment	8	**16,853**	67,214
Impairment of goodwill	8	**21,867**	92,864
Impairment/(reversal of impairment) of operating concessions, net	8	**(602,860)**	73,435
Impairment of receivables under service concession arrangements	8	**22,377**	–
Impairment of trade receivables, net	8	**36,266**	48,741
Impairment/(reversal of impairment) of other receivables, net	8	**(64,171)**	14,961
Loss on early termination of leases	8	**475**	4,806
Write-down of inventories to net realisable value	8	**44,351**	27,478
Share of profits and losses of joint ventures and associates		**(5,306,873)**	(5,077,579)
		7,170,502	7,974,734

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	2023 *RMB'000*	2022 *RMB'000* (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES *(Continued)*		
Increase in inventories	**(67,528)**	(36,594)
Decrease/(increase) in receivables under service concession arrangements	**2,882**	(222,291)
Decrease in trade receivables	**465,553**	608,507
Decrease/(increase) in prepayments, other receivables and other assets	**104,640**	(1,717,907)
Decrease/(increase) in other tax recoverables	**(118,983)**	98,904
Increase/(decrease) in trade and bills payables	**(185,627)**	1,297,584
Decrease in other payables, accruals and contract liabilities	**(742,014)**	(1,915,993)
Increase/(decrease) in other tax payables	**(58,282)**	116,801
Increase/(decrease) in provision for major overhauls and onerous contracts	**59,430**	(79,787)
Increase in defined benefit obligations	**115,493**	123,450
Increase in other non-current liabilities	**116,209**	74,514
Cash generated from operations	**6,862,275**	6,321,922
Finance income on the net investment in a finance lease received	**32,416**	35,092
Chinese Mainland income tax paid	**(781,843)**	(869,901)
Overseas income tax paid	**(365,283)**	(345,450)
Net cash flows from operating activities	**5,747,565**	5,141,663

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(8,729,115)**	(10,458,267)
Proceeds from disposal of items of property, plant and equipment		**615,583**	335,315
Receipt of assets-related governments grants		**87,909**	1,058,822
Purchase of a leasehold land		**(98,563)**	–
Additions to operating concessions		**(17,206)**	(1,005,288)
Additions to other intangible assets		**(216,898)**	(80,929)
Proceeds from disposal of items of other intangible assets		**8,248**	43,737
Acquisition of subsidiaries	*43*	**–**	47,575
Additional investments in associates		**(35,851)**	(1,028,974)
Increase in time deposits with maturity of more than three months when acquired		**(2,406,313)**	(3,271,158)
Decrease/(increase) in restricted cash and pledged deposits		**132,961**	(107,696)
Proceeds from disposal of an equity investment at fair value through other comprehensive income		**144,960**	–
Proceeds from disposal of a financial asset at fair value through profit or loss		**–**	2,023,928
Dividends received from joint ventures and associates		**4,533,575**	3,203,454
Dividend income of equity investments at fair value through other comprehensive income received		**28,418**	32,481
Investment income of a financial asset at fair value through profit or loss received		**–**	246,615
Bank interest income received		**891,612**	591,348
Net cash flows used in investing activities		**(5,060,680)**	(8,369,037)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from non-controlling equity holders of subsidiaries		**25,173**	–
Proceeds from issue of guaranteed bonds, net of issuance costs	*44(b)*	**–**	3,366,240
Repayment of guaranteed bonds	*44(b)*	**–**	(14,403,745)
New loans	*44(b)*	**63,468,868**	31,253,231
Repayment of loans	*44(b)*	**(57,324,561)**	(15,932,320)
Principal portion of lease payments	*44(b)*	**(302,454)**	(363,531)
Interest portion of lease payments	*44(b)*	**(33,872)**	(36,695)
Other interest paid		**(2,838,586)**	(1,745,029)
Repurchases of the Company's shares		**–**	(39,011)
Dividends paid		**(2,247,999)**	(1,432,717)
Dividends paid to non-controlling equity holders of subsidiaries		**(388,196)**	(348,836)
Net cash flows from financing activities		**358,373**	317,587
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,045,258**	(2,909,787)
Cash and cash equivalents at beginning of year		**23,015,467**	25,920,746
Effect of foreign exchange rate changes, net		**35,096**	4,508
CASH AND CASH EQUIVALENTS AT END OF YEAR		**24,095,821**	23,015,467

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	30	**14,621,356**	19,546,681
Saving deposits placed in a financial institution (an associate of the Group)	30	**456,136**	620,800
Time deposits:			
Placed in banks	30	**7,727,301**	6,415,620
Placed in a financial institution (an associate of the Group)	30	**6,071,914**	1,153,796
Less: Restricted cash and pledged deposits	30	**(18,346)**	(151,307)
Cash and cash equivalents as stated in the consolidated statement of financial position		**28,858,361**	27,585,590
Less: Time deposits with maturity of more than three months when acquired		**(4,762,540)**	(4,606,227)
Add: Cash and bank balances attributable to disposal groups	31	**–**	36,104
Cash and cash equivalents as stated in the consolidated statement of cash flows		**24,095,821**	23,015,467

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, development and operation of city gas projects, liquefied natural gas ("LNG") supply to industrial end users, trading and distribution of compressed natural gas ("CNG") and LNG and operation of CNG and LNG refuelling stations for vehicles in the mainland ("Chinese Mainland") of the People's Republic of China (the "PRC") and the trading of 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 Chinese Mainland and certain overseas countries

- 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 Chinese Mainland

- the production, distribution and sale of brewery products in Chinese Mainland

- property investment in Chinese Mainland and Hong Kong

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").

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/Chinese Mainland	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/Chinese Mainland	RMB650,000,000	–	60	Distribution and sale of piped gas
北京燃氣平谷有限公司[µ]	PRC/Chinese Mainland	RMB539,326,100	–	98.95	Distribution and sale of piped gas
北京燃氣懷柔有限公司[µ]	PRC/Chinese Mainland	RMB323,280,000	–	99.54	Distribution and sale of piped gas
Beijing Gas Blue Sky Holdings Limited ("Blue Sky")[Ω]	Bermuda	Hong Kong dollars ("HK$") 1,250,486,000	–	66.37	Distribution and sale of piped gas and gas-related equipment, direct LNG supply to industrial end users, trading and distribution of CNG and LNG and operation of CNG and LNG refueling stations for vehicles
Beijing Gas Singapore Private Limited	Singapore	United States dollars ("US$") 830,550,000	–	100	Trading of LNG
北京燕京啤酒投資有限公司 ("Yanjing Investment")[&]	PRC/Chinese Mainland	RMB3,409,828,000	–	79.77	Investment holding
Beijing Yanjing Brewery Company Limited ("Yanjing Brewery")[*/µ]	PRC/Chinese Mainland	RMB2,818,539,341	–	45.79[†]	Production and sale of beer
Fujian Yanjing Huiquan Brewery Co., Ltd. ("Yanjing Huiquan")[^/µ]	PRC/Chinese Mainland	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/Chinese Mainland	RMB547,303,240	–	42.32[†]	Production and sale of beer

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 Direct	Indirect	Principal activities
燕京啤酒(桂林漓泉)股份有限公司µ	PRC/Chinese Mainland	RMB349,366,900	–	34.69†	Production and sale of beer
燕京啤酒(赤峰)有限責任公司µ	PRC/Chinese Mainland	RMB577,120,000	–	43.16†	Production and sale of beer
新疆燕京啤酒有限公司µ	PRC/Chinese Mainland	RMB683,650,000	–	45.79†	Production and sale of beer
燕京啤酒(衡陽)有限公司µ	PRC/Chinese Mainland	RMB525,660,000	–	44.80†	Production and sale of beer
四川燕京啤酒有限公司µ	PRC/Chinese Mainland	RMB480,000,000	–	45.79†	Production and sale of beer
廣東燕京啤酒有限公司µ	PRC/Chinese Mainland	RMB809,882,100	–	58.23	Production and sale of beer
Beijing Enterprises Environment Group Limited ("BEEGL")Ω	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/Chinese Mainland	RMB349,590,000	–	65	Solid waste treatment operation
北京北控綠海能環保有限公司&	PRC/Chinese Mainland	RMB308,340,000	–	48.74†	Solid waste treatment operation
北京高安屯垃圾焚燒有限公司&	PRC/Chinese Mainland	RMB274,000,000	–	42.78†	Solid waste treatment operation
北控環境再生能源(張家港)有限公司 ("Beikong Zhangjiagang")µ	PRC/Chinese Mainland	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&	PRC/Chinese Mainland	RMB240,000,000	–	39.38†	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 notes

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 Direct	Indirect	Principal activities
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
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
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.*

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. ACCOUNTING POLICIES

2.1 BASIS OF PRESENTATION AND PREPARATION

Basis of presentation

Despite that the Group had net current liabilities of approximately RMB16.1 billion and capital commitments of approximately RMB7.5 billion as at 31 December 2023, 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 Ultra Short-term Commercial Papers in a total principal amount of RMB2 billion on 15 January 2024 (note 50); 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") 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) non-current assets and disposal groups classified as held for sale or disposal 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 RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2. ACCOUNTING POLICIES *(Continued)*

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 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. ACCOUNTING POLICIES *(Continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Adoption of new and revised HKFRSs

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

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

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

2. ACCOUNTING POLICIES *(Continued)*

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

Adoption of new and revised HKFRSs *(Continued)*

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 *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.

Prior to the initial application of these amendments, the Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The amendments did not have any significant impact on the Group's consolidated financial statement.

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

The Group has not yet applied the temporary exception during the current year for entities operating in those jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. For entities operating in those jurisdictions in which the Pillar Two tax law has been enacted or substantively enacted, the Group has applied the amendments and the mandatory temporary exception retrospectively but the amendments did not have any impact to the Group.

Change of presentation currency

The Company's presentation currency for its consolidated financial statements has been changed from HK$ to RMB from 1 January 2023. As most of the Group's transactions are denominated and settled in RMB, the board of directors of the Company (the "Board") considers that RMB is more appropriate to be the presentation currency for the Group's consolidated financial statements. Further, the Board considers that the change of presentation currency will enable the shareholders and potential investors of the Company to have a clearer picture of the Group's actual financial performance and financial position. The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative amounts in the consolidated financial statements are presented as if RMB had always been the presentation currency of the consolidated financial statements. The Group has also presented the consolidated statement of financial position as at 1 January 2022 without related notes.

2. ACCOUNTING POLICIES *(Continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

3 No mandatory effective date yet determined but available for adoption

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

The Group intends to apply these revised HKFRSs, if applicable, when they become effective. 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 address an inconsistency between the requirements in HKFRS 10 *Consolidated Financial Statements* and in HKAS 28 *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 constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

(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 *Leases* (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.

2. ACCOUNTING POLICIES *(Continued)*

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL 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 has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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 case, 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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL 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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL 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 valuing 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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL 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 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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL 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.

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 "Non-current assets and disposal groups held for sale or disposal".

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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. 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.

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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL 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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL 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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL 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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL 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 a non-financial asset is required (other than investment properties, deferred tax assets, inventories, non-current assets and disposal groups classified as held for sale or disposal), 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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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

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

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.

Non-current assets and disposal groups held for sale or disposal

Non-current assets and disposal groups are classified as held for sale or disposal if their carrying amounts will be recovered principally through a sales or ownership transfer transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale or ownership transfer in its present condition subject only to terms that are usual and customary for the sale or ownership transfer of such assets or disposal groups and its sale or transfer 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.

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

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

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.

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

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

(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, 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.

(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 is also recognised as other income in profit or loss when the right of payment has been established.

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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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).

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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Impairment (Continued)

(a) General approach *(Continued)*

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

(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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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.

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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

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

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

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

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included 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, except that deferred tax is not recognised for the Pillar Two income taxes.

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, 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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, 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.

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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Governments grants

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

Where 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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL 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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL 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 sources

(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.

(b) 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.

(c) 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

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

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).

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Employee benefits

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

2. ACCOUNTING POLICIES *(Continued)*

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

Foreign currencies

The Company has used RMB as the presentation currency of these financial statements, which is different from the Company's functional currency of HK$, because most of the Group's transactions are denominated and settled in RMB and the directors of the Company considered that RMB as the presentation currency would enable the shareholders and potential investors of the Company to have a clearer picture of the Group's actual financial performance and financial position. 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).

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

The functional currencies of the Company, certain Hong Kong and overseas subsidiaries, joint ventures and associates are currencies other than Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi 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 Renminbi at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

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

For the purpose of the consolidated statement of cash flows, the cash flows of the Company, Hong Kong and overseas subsidiaries are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company, Hong Kong and overseas subsidiaries which arise throughout the year are translated into Renminbi 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.

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 2023 was approximately RMB14.8 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 2023) 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 2023 and 2022 and BE Water was therefore accounted for as an associate in these financial statements.

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

The carrying amounts of items of property, plant and equipment, right-of-use assets, operating concessions and other intangible assets of certain brewery, solid waste treatment and gas 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 and operating concessions of the related CGUs that are subject to the impairment assessment and carried as assets in the consolidated statement of financial position as at 31 December 2023 were approximately RMB2.2 billion, RMB220 million and RMB2.2 billion, respectively. Details of the impairment assessment of the assets of these operations are set out in note 20 to the financial statements.

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, development and operation of city gas projects, LNG supply to industrial end users, trading and distribution of CNG and LNG and operation of CNG and LNG refuelling stations for vehicles in Chinese Mainland of the PRC 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 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 Chinese Mainland and certain overseas countries;

(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 Chinese Mainland;

(d) the brewery operation segment produces, distributes and sells brewery products in Chinese Mainland; 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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2023

	Gas operation *RMB'000*	Water operation *RMB'000*	Environmental operation *RMB'000*	Brewery operation *RMB'000*	Corporate and others *RMB'000*	Inter-segment elimination *RMB'000*	Consolidated *RMB'000*
Segment revenue *(note 5)*	61,470,405	–	8,427,025	12,328,849	87,052	–	82,313,331
Cost of sales	(57,212,037)	–	(6,298,484)	(8,040,273)	(33,884)	–	(71,584,678)
Gross profit	4,258,368	–	2,128,541	4,288,576	53,168	–	10,728,653
Profit/(loss) from operating activities	1,446,846	–	2,212,507	993,838	(48,559)	–	4,604,632
Finance costs	(445,678)	–	(222,451)	(58,213)	(1,917,985)	–	(2,644,327)
Share of profits and losses of:							
Joint ventures	(32,727)	–	7,606	–	–	–	(25,121)
Associates	4,445,105	779,693	71,573	19,745	15,878	–	5,331,994
Profit/(loss)before tax	5,413,546	779,693	2,069,235	955,370	(1,950,666)	–	7,267,178
Income tax	(265,811)	–	(365,552)	(219,704)	(14,820)	–	(865,887)
Profit/(loss)for the year	5,147,735	779,693	1,703,683	735,666	(1,965,486)	–	6,401,291
Segment profit/(loss) attributable to shareholders of the Company	5,061,181	779,693	1,391,303	229,397	(1,963,284)	–	5,498,290
Segment assets	127,020,882	13,266,268	35,977,878	22,196,841	14,295,819	(8,302,982)	204,454,706
Segment liabilities	40,639,315	–	19,084,952	8,589,809	51,394,247	(8,302,982)	111,405,341
Other segment information:							
Bank interest income	598,203	–	27,928	213,806	51,675	–	891,612
Finance income on the net investment in a finance lease	–	–	32,416	–	–	–	32,416
Depreciation of property, plant and equipment	1,850,480	–	723,001	688,162	23,920	–	3,285,563
Depreciation of right-of-use assets	231,136	–	29,858	43,059	12,640	–	316,693
Amortisation of operating concessions	–	–	277,720	–	–	–	277,720
Amortisation of other intangible assets	64,285	–	162,090	–	617	–	226,992
Impairment/(reversal of impairment) against segment assets, net*	(16,611)	–	(582,141)	7,217	21,867	–	(569,668)
Investments in joint ventures	232,285	–	63,418	–	–	–	295,703
Investments in associates	44,149,845	13,280,925	65,258	555,449	806,387	–	58,857,864
Capital expenditure**	4,549,226	–	2,940,750	600,411	2,862	–	8,093,249

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2022 (restated)

	Gas operation *RMB'000*	Water operation *RMB'000*	Environmental operation *RMB'000*	Brewery operation *RMB'000*	Corporate and others *RMB'000*	Inter-segment elimination *RMB'000*	Consolidated *RMB'000*
Segment revenue *(note 5)*	59,862,104	–	7,861,394	11,584,948	66,590	–	79,375,036
Cost of sales	(55,153,585)	–	(5,756,610)	(7,866,463)	(30,115)	–	(68,806,773)
Gross profit	4,708,519	–	2,104,784	3,718,485	36,475	–	10,568,263
Profit/(loss) from operating activities	2,692,988	–	1,510,098	613,013	(64,587)	–	4,751,512
Finance costs	(369,120)	–	(212,030)	(39,718)	(1,161,015)	–	(1,781,883)
Share of profits and losses of:							
Joint ventures	25,627	–	–	–	–	–	25,627
Associates	4,508,204	486,052	34,280	23,416	–	–	5,051,952
Profit/(loss)before tax	6,857,699	486,052	1,332,348	596,711	(1,225,602)	–	8,047,208
Income tax	(395,507)	–	(380,553)	(145,173)	(18,917)	–	(940,150)
Profit/(loss)for the year	6,462,192	486,052	951,795	451,538	(1,244,519)	–	7,107,058
Segment profit/(loss) attributable to shareholders of the Company	6,422,477	486,052	734,954	113,516	(1,244,519)	–	6,512,480
Segment assets	121,168,580	12,555,529	33,075,321	21,620,768	14,917,234	(8,794,629)	194,542,803
Segment liabilities	38,932,745	–	17,745,263	8,534,924	47,450,447	(8,794,629)	103,868,750
Other segment information:							
Bank interest income	369,774	–	16,132	178,892	26,550	–	591,348
Finance income on the net investment in a finance lease	–	–	35,092	–	–	–	35,092
Depreciation of property, plant and equipment	1,882,188	–	684,539	725,134	8,048	–	3,299,909
Depreciation of right-of-use assets	229,802	–	54,031	39,340	18,375	–	341,548
Amortisation of operating concessions	–	–	209,536	–	–	–	209,536
Amortisation of other intangible assets	48,966	–	142,015	–	632	–	191,613
Impairment/(reversal of impairment) against segment assets, net*	47,545	–	250,399	(729)	–	–	297,215
Investments in joint ventures	216,041	–	5,854	–	–	–	221,895
Investments in associates	42,506,337	12,649,175	65,258	552,935	867,783	–	56,641,488
Capital expenditure**	7,874,735	–	2,625,034	460,470	47,548	–	11,007,787

* *These amounts are recognised in the consolidated statement of profit or loss and included impairment/(reversal of impairment) of property, plant and equipment, goodwill, operating concessions, receivables under service concession arrangements, 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.*

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Chinese Mainland	**70,614,178**	65,924,621
Germany	**5,765,368**	5,076,586
Elsewhere	**5,933,785**	8,373,829
	82,313,331	79,375,036

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

(b) Non-current assets

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Chinese Mainland	**118,396,189**	115,058,958
Germany	**19,237,525**	16,161,240
Russian Federation ("Russia")	**7,833,231**	7,662,559
Elsewhere	**142,346**	152,656
	145,609,291	139,035,413

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 2023 and 2022, no single external customer contributed 10% or more of the Group's revenue.

5. REVENUE

(a) Disaggregated revenue information

Year ended 31 December 2023

Segments	Gas operation *RMB'000*	Environmental operation *RMB'000*	Brewery operation *RMB'000*	Corporate and others *RMB'000*	Total *RMB'000*
Types of goods or services					
Sale of piped natural gas	48,058,609	–	–	–	48,058,609
Sale of gas-related equipment	857,815	–	–	–	857,815
Trading of LNG	11,743,953	–	–	–	11,743,953
Sale of brewery products	–	–	12,328,849	–	12,328,849
Construction services	810,028	904,956	–	–	1,714,984
Solid waste collection services	–	4,544,956	–	–	4,544,956
Sale of electricity, steam and heat	–	2,977,113	–	–	2,977,113
Total revenue from contracts with customers	61,470,405	8,427,025	12,328,849	–	82,226,279
Revenue from another source:					
– Gross rental income	–	–	–	87,052	87,052
Total revenue	61,470,405	8,427,025	12,328,849	87,052	82,313,331
Geographical markets					
Chinese Mainland	55,536,800	2,661,657	12,328,849	–	70,527,306
Germany	–	5,765,368	–	–	5,765,368
Others	5,933,605	–	–	–	5,933,605
Total revenue from contracts with customers	61,470,405	8,427,025	12,328,849	–	82,226,279
Revenue from another source:					
– Gross rental income	–	–	–	87,052	87,052
Total revenue	61,470,405	8,427,025	12,328,849	87,052	82,313,331
Timing of revenue recognition					
Goods transferred at a point in time	60,660,377	2,977,113	12,328,849	–	75,966,339
Services transferred at a point in time	–	4,544,956	–	–	4,544,956
Services transferred over time	810,028	904,956	–	–	1,714,984
Total revenue from contracts with customers	61,470,405	8,427,025	12,328,849	–	82,226,279
Revenue from another source:					
– Gross rental income	–	–	–	87,052	87,052
Total revenue	61,470,405	8,427,025	12,328,849	87,052	82,313,331

5. REVENUE *(Continued)*

(a) Disaggregated revenue information *(Continued)*

Year ended 31 December 2022 (restated)

Segments	Gas operation RMB'000	Environmental operation RMB'000	Brewery operation RMB'000	Corporate and others RMB'000	Total RMB'000
Types of goods or services					
Sale of piped natural gas	47,116,242	–	–	–	47,116,242
Sale of gas-related equipment	671,667	–	–	–	671,667
Trading of LNG	11,203,119	–	–	–	11,203,119
Sale of brewery products	–	–	11,584,948	–	11,584,948
Construction services	871,076	1,181,526	–	–	2,052,602
Solid waste collection services	–	4,197,180	–	–	4,197,180
Sale of electricity, steam and heat	–	2,482,688	–	–	2,482,688
Total revenue from contracts with customers	59,862,104	7,861,394	11,584,948	–	79,308,446
Revenue from another source:					
– Gross rental income	–	–	–	66,590	66,590
Total revenue	59,862,104	7,861,394	11,584,948	66,590	79,375,036
Geographical markets					
Chinese Mainland	51,488,686	2,784,808	11,584,948	–	65,858,442
Germany	–	5,076,586	–	–	5,076,586
Others	8,373,418	–	–	–	8,373,418
Total revenue from contracts with customers	59,862,104	7,861,394	11,584,948	–	79,308,446
Revenue from another source:					
– Gross rental income	–	–	–	66,590	66,590
Total revenue	59,862,104	7,861,394	11,584,948	66,590	79,375,036
Timing of revenue recognition					
Goods transferred at a point in time	58,991,028	2,482,688	11,584,948	–	73,058,664
Services transferred at a point in time	–	4,197,180	–	–	4,197,180
Services transferred over time	871,076	1,181,526	–	–	2,052,602
Total revenue from contracts with customers	59,862,104	7,861,394	11,584,948	–	79,308,446
Revenue from another source:					
– Gross rental income	–	–	–	66,590	66,590
Total revenue	59,862,104	7,861,394	11,584,948	66,590	79,375,036

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:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of piped natural gas	7,306,240	8,941,960
Sale of brewery products	1,391,103	1,343,022
Rendering of solid waste treatment services	122,054	78,354
	8,819,397	10,363,336

(b) Performance obligations

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

(i) *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.

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.

5. REVENUE *(Continued)*

(b) Performance obligations *(Continued)*

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Expected to be recognised within one year	**444,923**	752,847
Expected to be recognised after one year	**333,723**	568,536
Total *(note)*	**778,646**	1,321,383

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.

6. OTHER INCOME AND GAINS, NET

	2023 RMB'000	2022 RMB'000 (Restated)
Bank interest income	**891,612**	591,348
Finance income on the net investment in a finance lease	**32,416**	35,092
Government grants*	**397,018**	301,359
Transfer of assets from customers *(note 14)*	**43,957**	39,929
Dividend income of equity investments at fair value through other comprehensive income	**28,418**	32,481
Investment income of a financial asset at fair value through profit or loss	**–**	246,615
Gain on disposal of items of property, plant and equipment, net	**19,853**	27,979
Gain on remeasurement of the pre-existing interest in an associate to acquisition-date fair value	**–**	175,439
Others	**674,534**	682,298
	2,087,808	2,132,540

* *Government grants represented government subsidies and turnover tax refunds in respect of the Group's operations in Chinese Mainland. 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	2023 RMB'000	2022 RMB'000 (Restated)
Interest on bank loans and other loans		**2,345,715**	1,104,464
Interest on guaranteed bonds and notes		**519,130**	655,477
Interest on lease liabilities	*16(b)*	**33,872**	36,695
Total interest expenses		**2,898,717**	1,796,636
Increase in discounted amount of provision for major overhauls arising from the passage of time	*37*	**2,611**	1,139
Total finance costs		**2,901,328**	1,797,775
Less: Interest capitalised		**(257,001)**	(15,892)
		2,644,327	1,781,883

8. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Cost of inventories sold		65,617,420	63,383,322
Cost of services provided		5,926,347	5,393,336
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		40,911	30,115
Depreciation of property, plant and equipment	14	3,285,563	3,299,909
Less: Amount included in cost of inventories sold and cost of services rendered		(2,300,890)	(2,242,569)
		984,673	1,057,340
Depreciation of right-of-use assets	16(b)	316,693	341,548
Less: Amount included in cost of inventories sold and cost of services rendered		(41,815)	(104,623)
		274,878	236,925
Amortisation of operating concessions, included in cost of inventories sold and cost of services rendered	18	277,720	209,536
Amortisation of other intangible assets	19	226,992	191,613
Less: Amount included in cost of inventories sold and cost of services rendered		(169,686)	(158,217)
Amount included in administrative expenses		57,306	33,396
Provision/(reversal of provision) for major overhauls, net*	37	38,921	(84,431)
Research and development expenditure		1,722,412	1,991,177
Loss on early termination of leases	16(b)	475	4,806
Lease payments not included in the measurement of lease liabilities	16(b)	85,964	72,401
Less: Amount included in cost of inventories sold and cost of services rendered		(67,074)	(25,985)
		18,890	46,416

8. PROFIT BEFORE TAX *(Continued)*

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Auditor's remuneration paid and payable to:			
Auditor of the Company		9,640	9,202
Auditor of an associate		5,045	4,816
Employee benefit expense (including directors' remuneration – note 9):			
Salaries, allowances and benefits in kind		9,066,051	6,835,683
Net pension scheme contributions@		529,523	538,012
Net benefit expense of defined benefit plans	36(b)	164,143	161,642
		9,759,717	7,535,337
Less: Amount included in cost of inventories sold and cost of services rendered		(4,707,614)	(3,487,980)
Less: Amount included in construction in progress and operating concessions		(23,986)	(17,879)
		5,028,117	4,029,478
Foreign exchange differences, net		315,302	12,416
Impairment/(reversal of impairment) of non-current non-financial assets, net:			
Property, plant and equipment*	14	16,853	67,214
Goodwill*	17	21,867	92,864
Operating concessions*	18	(602,860)	73,435
		(564,140)	233,513
Impairment/(reversal of impairment) of financial assets, net:			
Receivables under service concession arrangements*	18(b)	22,377	–
Trade receivables*	26(d)	36,266	48,741
Other receivables*	27(e)	(64,171)	14,961
		(5,528)	63,702
Write-down of inventories to net realisable value*		44,351	27,478
Gain on settlement of other receivables in lieu of cash settlements	15(c)	–	(7,763)

* *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.*

9. DIRECTORS' REMUNERATION *(Continued)*

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:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Fees	**1,627**	1,162
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**4,045**	2,823
Pension scheme contributions	**26**	25
	4,071	2,848
	5,698	4,010

9. DIRECTORS' REMUNERATION

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

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Year ended 31 December 2023				
Executive directors:				
Mr. Yang Zhichang*	–	–	–	–
Mr. Jiang Xinhao	–	–	–	–
Mr. Xiong Bin	–	1,823	–	1,823
Mr. Geng Chao**	–	–	–	–
Mr. Tam Chun Fai	135	2,222	26	2,383
Mr. Dai Xiaofeng***	–	–	–	–
	135	4,045	26	4,206
Independent non-executive directors:				
Mr. Wu Jiesi	373	–	–	373
Mr. Lam Hoi Ham	373	–	–	373
Mr. Yu Sun Say	373	–	–	373
Ms. Chan Man Ki Maggie	373	–	–	373
	1,492	–	–	1,492
Total directors' remuneration	1,627	4,045	26	5,698

9. DIRECTORS' REMUNERATION *(Continued)*

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Year ended 31 December 2022 (restated)				
Executive directors:				
Mr. Dai Xiaofeng	–	–	–	–
Mr. Jiang Xinhao	–	–	–	–
Mr. Xiong Bin	–	884	–	884
Mr. Tam Chun Fai	129	1,939	25	2,093
Mr. Li Yongcheng#	–	–	–	–
Mr. Zhao Xiaodong##	–	–	–	–
	129	2,823	25	2,977
Independent non-executive directors:				
Mr. Wu Jiesi	310	–	–	310
Mr. Lam Hoi Ham	310	–	–	310
Mr. Yu Sun Say	310	–	–	310
Ms. Chan Man Ki Maggie###	103	–	–	103
	1,033	–	–	1,033
Total directors' remuneration	1,162	2,823	25	4,010

* *Mr. Yang Zhichang was appointed as an executive director of the Company with effect from 26 October 2023.*

** *Mr. Geng Chao was appointed as an executive director of the Company with effect from 8 July 2023.*

*** *Mr. Dai Xiaofeng resigned as an executive director of the Company with effect from 26 October 2023.*

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.

9. DIRECTORS' REMUNERATION *(Continued)*

Messrs. Zhao Xiaodong and Dai Xiaofeng waived their remuneration from the Company for each of the years ended 31 December 2023 and 2022, Messrs. Yang Zhichang and Geng Chao waived their remuneration from the Company for the year ended 31 December 2023, and Messrs. Li Yongcheng and Jiang Xinhao waived their remuneration from the Company since January 2021 and February 2021, respectively.

Save as disclosed above, there was no other agreement under which a director waived or agreed to waive any remuneration during these years.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2023 and 2022 are neither a director nor the chief executive of the Company and details of their remuneration for the years are as follows:

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Salaries, allowances and benefits in kind	**22,132**	20,145
Pension scheme contributions	**395**	2,622
	22,527	22,767

The number of the five non-director and non-chief executive highest paid employees whose remuneration for the years ended 31 December 2023 and 2022 fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	1
HK$5,000,001 to HK$5,500,000	**1**	1
HK$6,500,001 to HK$7,000,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	–
	5	5

11. INCOME TAX

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Current – Hong Kong	**16,959**	12,790
Current – Chinese Mainland		
Charge for the year	**862,176**	659,856
Over provision in prior years	**(2,948)**	(16,927)
Current – Germany		
Charge for the year	**366,472**	366,329
Under/(over) provision in prior years	**(4,581)**	1,838
Current – Others	**26,392**	15,303
Deferred *(note 39)*	**(398,583)**	(99,039)
Total tax expense for the year	**865,887**	940,150

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:

	2023 %	2022 %
Hong Kong	**16.5**	16.5
Chinese Mainland*	**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 Chinese Mainland enjoy PRC corporate income tax exemptions and reductions.*

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 2023

	Hong Kong		Chinese Mainland		Germany		Others		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	799,442		4,822,053		907,190		738,493		7,267,178	
Tax expense at the statutory tax rate	131,904	16.5	1,205,516	25.0	272,157	30.0	147,699	20.0	1,757,276	24.2
Lower tax rate for specific provinces or enacted by local authority	–	–	(553,263)	(11.5)	(5,339)	(0.6)	–	–	(558,602)	(7.7)
Effect of withholding tax on distributable profit	–	–	50,416	1.0	–	–	26,392	3.6	76,808	1.1
Effect of withholding tax on interest income from intercompany loans and rental income from a lessee in the PRC	10,128	1.2	–	–	–	–	–	–	10,128	0.1
Adjustments in respect of current tax of previous periods	–	–	(2,948)	(0.1)	(4,581)	(0.5)	–	–	(7,529)	(0.1)
Profits and losses attributable to joint ventures and associates	(225,501)	(28.2)	(410,154)	(8.5)	–	–	(147,699)	(20.0)	(783,354)	(10.8)
Income not subject to tax	(400,855)	(50.1)	(317,519)	(6.5)	(2,556)	(0.3)	–	–	(720,930)	(9.9)
Expenses not deductible for tax	483,170	60.4	310,500	6.5	23,412	2.6	–	–	817,082	11.2
Tax losses not recognised	18,113	2.3	255,570	5.3	1,325	0.1	–	–	275,008	3.8
Tax expense at the Group's effective tax rate	16,959	2.1	538,118	11.2	284,418	31.3	26,392	3.6	865,887	11.9

11. INCOME TAX *(Continued)*

Notes: (Continued)

(b) *(Continued)*

Year ended 31 December 2022 (restated)

	Hong Kong		Chinese Mainland		Germany		Others		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Profit before tax	729,268		5,667,608		974,456		675,876		8,047,208	
Tax expense at the statutory tax rate	120,329	16.5	1,416,905	25.0	292,336	30.0	135,175	20.0	1,964,745	24.4
Lower tax rate for specific provinces or enacted by local authority	–	–	(581,903)	(10.3)	(12,253)	(1.3)	–	–	(594,156)	(7.4)
Effect of withholding tax on distributable profit	2,187	0.3	–	–	–	–	15,303	2.3	17,490	0.2
Effect of withholding tax on interest income from intercompany loans and rental income from a lessee in the PRC	8,467	1.2	–	–	–	–	–	–	8,467	0.1
Adjustments in respect of current tax of previous periods	–	–	(16,927)	(0.3)	1,838	0.2	–	–	(15,089)	(0.2)
Profits and losses attributable to joint ventures and associates	(299,714)	(41.1)	(313,648)	(5.5)	–	–	(135,175)	(20.0)	(748,537)	(9.3)
Income not subject to tax	(415,875)	(57.0)	(390,954)	(6.9)	(2,036)	(0.2)	–	–	(808,865)	(10.1)
Expenses not deductible for tax	590,088	80.9	216,730	3.8	15,530	1.6	–	–	822,348	10.2
Tax losses not recognised	7,308	1.0	286,439	5.1	–	–	–	–	293,747	3.7
Tax expense at the Group's effective tax rate	12,790	1.8	616,642	10.9	295,415	30.3	15,303	2.3	940,150	11.6

(c) The share of tax credit attributable to joint ventures amounting to RMB280,000 (2022: share of tax expense of RMB9,340,000 (restated)) and the share of tax attributable to associates amounting to RMB1,738,472,000 (2022: RMB1,463,625,000 (restated)), respectively, are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

12. DIVIDENDS

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Interim – HK$0.93 (2022: HK$0.50) per ordinary share	**1,055,846**	542,339
Proposed final – HK$0.67 (2022: HK$1.10) per ordinary share	**760,663**	1,192,153
	1,816,509	1,734,492

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 RMB5,498,290,000 (2022: RMB6,512,480,000 (restated)), and the weighted average number of ordinary shares of 1,260,203,268 (2022: 1,261,554,364) 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 2023 and 2022 for a dilution as the impact of the dilutive potential ordinary shares of associates in issue during these years is minimal.

14. PROPERTY, PLANT AND EQUIPMENT

	Notes	Buildings RMB'000 (note (a))	Leasehold improvements RMB'000	Gas pipelines RMB'000	Gas meters and other plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2023									
At 1 January 2023: (restated)									
Cost		14,422,889	188,309	25,631,451	38,016,647	1,856,016	818,497	15,975,945	96,909,754
Accumulated depreciation and impairment		(5,457,771)	(48,730)	(10,623,920)	(22,634,878)	(1,172,053)	(563,084)	(272,842)	(40,773,278)
Net carrying amount		8,965,118	139,579	15,007,531	15,381,769	683,963	255,413	15,703,103	56,136,476
Net carrying amount:									
At 1 January 2023 (restated)		8,965,118	139,579	15,007,531	15,381,769	683,963	255,413	15,703,103	56,136,476
Additions		417,055	12,438	120,049	2,237,798	107,366	105,685	4,072,576	7,072,967
Transfer of assets from customers	6	–	–	16,549	27,408	–	–	–	43,957
Transfer from construction in progress		2,440,238	–	372,317	4,200,509	81,396	37,977	(7,132,437)	–
Transfer from investment properties	15	3,316	–	–	–	–	–	–	3,316
Transfer from assets of disposal groups classified as held for sale		125,736	–	–	83,527	3,086	754	2,200	215,303
Depreciation provided during the year	8	(420,129)	(18,590)	(408,673)	(2,311,553)	(73,547)	(53,071)	–	(3,285,563)
Impairment provided during the year	(b), 20(c)	(4,727)	–	(7,103)	(1,419)	–	–	(3,604)	(16,853)
Transfer to non-current assets classified as held for disposal	(d)	(92,448)	–	–	(208,259)	(1,182)	(586)	–	(302,475)
Disposals		(29,793)	(23)	(62)	(356,496)	(187,522)	(5,138)	(16,696)	(595,730)
Exchange realignment		33,671	7,238	21,146	353,583	6,419	(42,249)	98,323	478,131
At 31 December 2023		11,438,037	140,642	15,121,754	19,406,867	619,979	298,785	12,723,465	59,749,529
At 31 December 2023:									
Cost		17,480,959	202,438	26,133,385	45,121,578	1,871,405	860,168	12,959,291	104,629,224
Accumulated depreciation and impairment		(6,042,922)	(61,796)	(11,011,631)	(25,714,711)	(1,251,426)	(561,383)	(235,826)	(44,879,695)
Net carrying amount		11,438,037	140,642	15,121,754	19,406,867	619,979	298,785	12,723,465	59,749,529

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

	Notes	Buildings *RMB'000* *(note (a))*	Leasehold improvements *RMB'000*	Gas pipelines *RMB'000*	Gas meters and other plant and machinery *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Year ended 31 December 2022 (restated)									
At 1 January 2022:									
Cost		14,301,636	173,014	24,627,818	36,611,391	1,738,305	836,836	9,730,277	88,019,277
Accumulated depreciation and impairment		(5,163,445)	(37,746)	(9,442,600)	(21,773,770)	(1,100,847)	(545,908)	(234,507)	(38,298,823)
Net carrying amount		9,138,191	135,268	15,185,218	14,837,621	637,458	290,928	9,495,770	49,720,454
Net carrying amount:									
At 1 January 2022		9,138,191	135,268	15,185,218	14,837,621	637,458	290,928	9,495,770	49,720,454
Acquisition of subsidiaries	*43*	46,101	15	326,668	77,727	959	1,126	90,518	543,114
Additions		73,044	7,322	418	533,208	59,226	12,962	8,915,088	9,601,268
Transfer of assets from customers	*6*	–	–	14,393	25,536	–	–	–	39,929
Transfer from construction in progress		439,650	–	458,277	1,806,685	101,987	9,848	(2,816,447)	–
Transfer to assets of disposal groups classified as held for sale	*31*	(125,736)	–	–	(83,527)	(3,086)	(754)	(2,200)	(215,303)
Depreciation provided during the year		(445,208)	(2,162)	(977,316)	(1,707,300)	(112,277)	(55,646)	–	(3,299,909)
Impairment provided during the year	*(c), 20(b)*	(43,561)	–	–	(22,150)	(233)	(112)	(1,158)	(67,214)
Disposals		(126,737)	(553)	(127)	(150,829)	(1,515)	(2,971)	(24,604)	(307,336)
Exchange realignment		9,374	(311)	–	64,798	1,444	32	46,136	121,473
At 31 December 2022		8,965,118	139,579	15,007,531	15,381,769	683,963	255,413	15,703,103	56,136,476
At 31 December 2022:									
Cost		14,422,889	188,309	25,631,451	38,016,647	1,856,016	818,497	15,975,945	96,909,754
Accumulated depreciation and impairment		(5,457,771)	(48,730)	(10,623,920)	(22,634,878)	(1,172,053)	(563,084)	(272,842)	(40,773,278)
Net carrying amount		8,965,118	139,579	15,007,531	15,381,769	683,963	255,413	15,703,103	56,136,476

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

Notes:

(a) At 31 December 2023, the buildings in relation to a solid waste incineration plant of the Group and certain gas pipelines of the Group situated in Chinese Mainland with net carrying amounts of RMB25,814,000 (2022: RMB315,524,000 (restated)) and RMB455,236,000 (2022: RMB397,336,000 (restated)), respectively, were pledged to secure bank and other loans granted to the Group (note 34(c)).

(b) During the year ended 31 December 2023, impairment losses of RMB16,853,000 were recognised against the property, plant and equipment of the Group's gas operations, details of which are set out note 20(c) to the financial statements.

(c) During the year ended 31 December 2022, impairment losses of RMB67,214,000 were recognised against the property, plant and equipment of the Group's solid waste treatment operations, details of which are set out in note 20(b) to the financial statements.

(d) In July 2019, a subsidiary of the Group entered into a supplementary agreement with a local government authority, pursuant to which ownership of the existing solid waste incineration plant of Beikong Zhangjiagang (the "Existing Plant", which was operated under a Build-Operate-Transfer basis with a concession period of 30 years up to 2038) shall be transferred to the government authority upon the completion of the final acceptance of construction of a new solid waste incineration plant of Beikong Zhangjiagang (the "New Plant", which shall be operated under a BOT basis with a concession period of 30 years up to 2052).

During the year, the New Plant was completed and has commenced its commercial operation, and the operation of the Existing Plant was suspended since then. The directors of the Company expected that the Group shall transfer the title of the Existing Plant to the government authority by the end of year 2024 upon the completion of the final acceptance of construction of the New Plant. Therefore, the property, plant and equipment related to the Existing Plant of RMB302,475,000 of Beikong Zhangjiagang was classified as non-current assets held for disposal as at 31 December 2023.

15. INVESTMENT PROPERTIES

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Carrying amount as at 1 January		1,183,010	995,356
Additions from settlement of receivables	*(c)*	–	117,763
Acquisition of subsidiaries	*43*	–	64,769
Transfer to property, plant and equipment	*14*	(3,316)	–
Exchange realignment		709	5,122
Carrying amount as at 31 December		1,180,403	1,183,010

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 2023, 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 2023 (2022: Nil) as there were no material changes in the fair value of these properties when compared to those as at 31 December 2022.

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 (2022: 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.

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 2023	Range 2022
Office buildings or premises	Investment method and direct comparison method	Estimated rental value per square metre and per month (RMB)	**61 to 321**	65 to 356
		Capitalisation rate	**5.75% to 6.75%**	6.25% to 7.25%
		Price per square metre (RMB)	**8,799 to 48,210**	9,007 to 52,347

* *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 RMB7,763,000 in total, which were recognised in profit or loss for the year ended 31 December 2022.

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 less than 1 year (2022: 1.5 years).

At 31 December 2023, 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	
	2023 *RMB'000*	2022 *RMB'000* (Restated)	**2023** *RMB'000*	2022 *RMB'000* (Restated)
Amounts receivable:				
Within one year	**362,297**	117,026	**347,814**	113,326
After one year but within two years	**–**	391,455	**–**	350,205
Total minimum finance lease receivables	**362,297**	508,481	**347,814**	463,531
Less: Unearned finance income	**(14,483)**	(44,950)		
Total net receivable under a finance lease	**347,814**	463,531		
Portion classified as current assets	**(347,814)**	(88,010)		
Non-current portion	**–**	375,521		

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.

16. LEASES *(Continued)*

(a) 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 RMB87,052,000 (2022: RMB66,590,000), details of which are included in note 5 to the financial statements.

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Within one year	**48,292**	27,413
After one year but within two years	**38,556**	23,817
After two years but within three years	**17,894**	24,945
After three years but within four years	**8,109**	3,348
Total	**112,851**	79,523

(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.

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 RMB'000	Office premises and staff quarters RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2022 (restated)		1,261,199	705,426	48,354	10,943	2,025,922
Acquisition of subsidiaries (restated)	43	–	42,025	–	–	42,025
Additions (restated)		110,395	198,350	5,230	6,327	320,302
Depreciation provided during the year (restated)		(58,072)	(269,551)	(6,214)	(7,711)	(341,548)
Early termination of leases (restated)		(2,436)	(16,661)	–	–	(19,097)
Transfer to assets of disposal groups classified as held for sale (restated)	31	(15,118)	(1,171)	–	–	(16,289)
Exchange realignment (restated)		6,308	2,457	631	149	9,545
At 31 December 2022 and 1 January 2023 (restated)		1,302,276	660,875	48,001	9,708	2,020,860
Additions		621,506	123,922	33,458	7,292	786,178
Depreciation provided during the year		(34,274)	(267,921)	(7,632)	(6,866)	(316,693)
Early termination of leases		(244)	(1,182)	–	(483)	(1,909)
Transfer from assets of disposal groups classified as held for sale		15,118	1,171	–	–	16,289
Exchange realignment		(68,434)	62,928	2,805	609	(2,092)
At 31 December 2023		1,835,948	579,793	76,632	10,260	2,502,633

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:

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
At 1 January		**744,288**	785,790
Acquisition of subsidiaries	*43*	**–**	13,241
New leases		**177,837**	320,302
Accretion of interest recognised during the year	*7*	**33,872**	36,695
Payments		**(336,326)**	(400,226)
Early termination of leases		**(1,434)**	(14,291)
Transfer from/(of) liabilities of disposal groups classified as held for sale	*31*	**1,283**	(1,283)
Exchange realignment		**10,305**	4,060
At 31 December		**629,825**	744,288
Portion classified as current liabilities		**(180,586)**	(318,568)
Non-current portion		**449,239**	425,720

The maturity analysis of lease liabilities is disclosed in note 49 to the financial statements.

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:

2023

	Payable within five years *RMB'000*	Payable after five years *RMB'000*	Total *RMB'000*
Extension options expected not to be exercised	**193,818**	**43,851**	**237,669**

2022 (restated)

	Payable within five years *RMB'000*	Payable after five years *RMB'000*	Total *RMB'000*
Extension options expected not to be exercised	105,897	72,817	178,714

Other lease information

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

	Notes	**2023** *RMB'000*	2022 *RMB'000* (Restated)
Interest on lease liabilities	*7*	**33,872**	36,695
Depreciation of right-of-use assets	*8*	**316,693**	341,548
Expense relating to short-term leases (included in cost of sales and administrative expenses)	*8*	**63,601**	60,801
Expense relating to leases of low-value assets (included in administrative expenses)	*8*	**22,363**	11,600
Loss on early termination of leases	*8*	**475**	4,806
Total amount recognised in profit or loss		**437,004**	455,450

The total cash outflow for leases is disclosed in note 44(c) to the financial statements.

17. GOODWILL

	2023 *RMB'000*	2022 *RMB'000* (Restated)
At 1 January:		
Cost	**14,855,836**	13,770,263
Accumulated impairment	**(551,601)**	(442,327)
Net carrying amount	**14,304,235**	13,327,936
Net carrying amount:		
At 1 January	**14,304,235**	13,327,936
Acquisition of subsidiaries *(note 43)*	**–**	506,815
Impairment provided during the year	**(21,867)**	(92,864)
Exchange realignment	**559,039**	562,348
At 31 December	**14,841,407**	14,304,235
At 31 December:		
Cost	**15,299,441**	14,855,836
Accumulated impairment	**(458,034)**	(551,601)
Net carrying amount	**14,841,407**	14,304,235

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	2023 RMB'000	2022 RMB'000 (Restated)
Piped gas operation	(a)	7,052,063	6,914,127
Brewery operation	(b)	276,661	276,661
Environmental operation	(c)	7,475,942	7,063,217
Others		36,741	50,230
		14,841,407	14,304,235

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 11.2% (2022: 8.7%), 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% (2022: 2%) 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 2023 (2022: 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 2023 and 2022.

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 16.9% (2022: 15.8%), 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% (2022: 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 as at 31 December 2023 (2022: Nil).

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 Chinese Mainland 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 7.8% (2022: 7.1%), 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% (2022: 2%) 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 9.0% (2022: 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 2.5% (2022: 2%) 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 (2022: 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 RMB92,864,000 (restated) was recognised during the year ended 31 December 2022 in respect of the goodwill attributable to the environmental operation.

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:

Piped 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.

17. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

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

Piped 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 Chinese Mainland 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 Chinese Mainland in which the assessed entity carried on its business.

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 Chinese Mainland.

18. SERVICE CONCESSION ARRANGEMENTS

The Group operates a number of service concession arrangements with governmental authorities in Chinese Mainland on a Build-Operate-Transfer ("BOT") or a Transfer-Operate-Transfer ("TOT") basis in respect of its environmental operations. 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 Chinese Mainland 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.

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
At 1 January:		
Cost	**7,299,263**	6,250,747
Accumulated amortisation and impairment	**(2,281,204)**	(1,907,007)
Net carrying amount	**5,018,059**	4,343,740
Net carrying amount:		
At 1 January	**5,018,059**	4,343,740
Additions	**17,206**	1,005,288
Actual cost adjustment	**(548,083)**	(270)
Amortisation provided during the year	**(277,720)**	(209,536)
Reversal of impairment/(impairment) recognised during the year (note 20(b))	**602,860**	(73,435)
Exchange realignment	**(12,893)**	(47,728)
At 31 December	**4,799,429**	5,018,059
At 31 December:		
Cost	**6,266,799**	7,299,263
Accumulated amortisation and impairment	**(1,467,370)**	(2,281,204)
Net carrying amount	**4,799,429**	5,018,059

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Receivables under service concession arrangements

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Receivables under service concession arrangements attributable to solid waste treatment operations (note (b))	**3,644,333**	3,081,034
Portion classified as current assets	**(131,246)**	(120,923)
Non-current portion	**3,513,087**	2,960,111

Notes:

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

At 31 December 2023, the Group had 16 (2022: 16) service concession arrangements on solid waste treatment with certain governmental authorities in Chinese Mainland, of which 5 (2022: 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 RMB4,431,436,000 (2022: RMB2,691,761,000 (restated)) 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 2023 and 2022 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. In the opinion of the directors, provision for ECL of RMB22,377,000 (2022: Nil) against the receivables under service concession arrangements as at 31 December 2023 was considered necessary.

18. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

Receivables under service concession arrangements *(Continued)*

Notes: (Continued)

(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:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Contracts assets included in:		
Operating concessions	**3,734,918**	3,634,399
Receivables under service concession arrangements	**1,540,131**	1,174,587
Total	**5,275,049**	4,808,986

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(c) to the financial statements.

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

19. OTHER INTANGIBLE ASSETS

	Customer contracts *RMB'000*	Operating concessions *RMB'000*	Patents *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
Year ended 31 December 2023					
At 1 January 2023: (restated)					
Cost	2,935,069	1,011,801	22,000	840,558	4,809,428
Accumulated amortisation and impairment	(1,097,133)	(644,244)	(16,333)	(508,185)	(2,265,895)
Net carrying amount	1,837,936	367,557	5,667	332,373	2,543,533
Net carrying amount:					
At 1 January 2023 (restated)	1,837,936	367,557	5,667	332,373	2,543,533
Additions	–	791	–	216,107	216,898
Amortisation provided during the year	(141,847)	(25,856)	(395)	(58,894)	(226,992)
Disposal	–	–	–	(8,248)	(8,248)
Exchange realignment	117,383	1,409	–	7,036	125,828
At 31 December 2023	1,813,472	343,901	5,272	488,374	2,651,019
At 31 December 2023:					
Cost	3,127,846	1,026,081	22,022	1,059,642	5,235,591
Accumulated amortisation and impairment	(1,314,374)	(682,180)	(16,750)	(571,268)	(2,584,572)
Net carrying amount	1,813,472	343,901	5,272	488,374	2,651,019

19. OTHER INTANGIBLE ASSETS *(Continued)*

	Customer contracts *RMB'000*	Operating concessions *RMB'000*	Patents *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
Year ended 31 December 2022 (restated)					
At 1 January 2022:					
Cost	2,888,710	415,072	49,283	779,015	4,132,080
Accumulated amortisation and impairment	(945,731)	(96,853)	(22,300)	(456,410)	(1,521,294)
Net carrying amount	1,942,979	318,219	26,983	322,605	2,610,786
Net carrying amount:					
At 1 January 2022	1,942,979	318,219	26,983	322,605	2,610,786
Acquisition of subsidiaries (note 43)	–	58,033	–	–	58,033
Additions	–	–	–	80,929	80,929
Amortisation provided during the year	(131,377)	(8,695)	(400)	(51,141)	(191,613)
Disposals	–	–	(21,937)	(21,800)	(43,737)
Exchange realignment	26,334	–	1,021	1,780	29,135
At 31 December 2022	1,837,936	367,557	5,667	332,373	2,543,533
At 31 December 2022:					
Cost	2,935,069	1,011,801	22,000	840,558	4,809,428
Accumulated amortisation and impairment	(1,097,133)	(644,244)	(16,333)	(508,185)	(2,265,895)
Net carrying amount	1,837,936	367,557	5,667	332,373	2,543,533

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

Certain of the Group's brewery plants, solid waste incineration plants, natural gas refueling stations and operation of direct supply of LNG to industrial users have been loss-making for some time, and the operations of certain solid waste incineration plants in Chinese Mainland 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 2023 and 2022 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 for the year ended 31 December 2023 (2022: 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 year ended 31 December 2023 and 2022:

	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 metre)	RMB53 to RMB2,464 (2022: RMB82 to RMB6,146)
		Selling building unit rate (per square metre)	RMB630 to RMB13,900 (2022: RMB1,482 to RMB15,027)

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

(b) Environmental operation

Year ended 31 December 2023

Reversal of impairment of solid waste treatment plants

During the year ended 31 December 2023, based on the improved financial performance of certain solid waste treatment plants in recent years with profit-making, the directors of the Company considered that there is a reversal of impairment indicator of the related assets of these service concession arrangements. Consequently, the directors had estimated the recoverable amounts (which is the value-in-use ("VIU")) of the non-current assets of the solid waste treatment operation (the "Solid Waste Treatment 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 VIU of the relevant CGUs of the solid waste treatment operation to derive the VIU of the Solid Waste Treatment Assets using the discounted cash flow method. In assessing the VIU of each of the CGUs, the future cash flows of the solid waste treatment operation, which cover periods to the concession/operation end date of the respective plants, are discounted to present values using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to such business. Parameters used in the projected cash flows included but not limited to waste treatment fees, volumes of wastes handled, electricity prices, volumes of electricity generated, plant operation cost and other expenses, capital expenditure, the operation plan, revenue growth rates, expected inflation rates and the discount rate, which reflected the current conditions of the market and estimated trend in the future. The fair value measurement used significant unobservable inputs (Level 3 of the fair value hierarchy).

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

(b) Environmental operation *(Continued)*

Year ended 31 December 2023 (Continued)

Reversal of impairment of solid waste treatment plants *(Continued)*

Below is a summary of the valuation techniques used and the key inputs used in assessing the VIU of the CGUs in solid waste treatment operation during the year:

	Valuation techniques	Significant unobservable inputs		Range or weighted average
Property, plant and equipment and right-of-use assets	Discounted cash flow method	(i)	Revenue growth rates (per annum)	3%
		(ii)	Expected inflation rates in the PRC (per annum)	3%
		(iii)	Pre-tax discount rate* in the PRC (per annum)	11.5% to 13.4%

* *The pre-tax discount rate was evaluated under the Capital Assets Pricing Model (the "CAPM"); the appropriate expected rate of return was the sum of the risk-free return and the equity risk premium required by investors to compensate for the market risk assumed. In addition, the expected rate of return of CGUs was expected to be affected by firm specific risk factors that are independent of the general market. The rates were arrived at the weighted average of the cost of equity and the cost of debt before tax of the respective CGUs.*

Based on the VIU assessment of the CGUs of the solid waste treatment operation, the directors are of the opinion that reversal of impairment losses on operating concessions of RMB617,641,000 in total against the Solid Waste Treatment Assets was considered necessary which were recognised as "Other operating expenses, net" in profit or loss during the year.

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

(b) Environmental operation *(Continued)*

Year ended 31 December 2023 (Continued)

Impairment of Changde Plant

In 2019, a portion of the assets of a solid waste incineration plant in ("Changde Plant") Changde would be phased out in advance in order to meet the new measures on environmental protection and emission imposed by the PRC government. According to the terms of the service concession agreement and after negotiation with the local government authority, the losses to be suffered by the Group relating to assets to be dismantled would be borne by the Group, while the Group would be compensated by the local government for those assets that can be continued to be used in other phases of the same project. During the year, based on the valuation results as prepared by Vocation (Beijing) International Asset Valuation Co., Ltd. which was jointly engaged by Changde Plant and the local government authority, a total impairment of RMB55,299,000 should be provided on the plant assets. Impairment of RMB40,518,000 has been provided by the Group in prior years and an additional impairment of RMB14,781,000 has been recognised by the Group during the year. The Group is currently finalising the details of the compensation arrangement with the local government.

Year ended 31 December 2022

Impairment of Huai'an Plant

As mentioned in note 17(c) 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 full impairment losses of RMB67,214,000 were recognised against the property, plant and equipment during the year ended 31 December 2022.

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

(b) Environmental operation *(Continued)*

Year ended 31 December 2022 (Continued)

Impairment of Hunan Plant

During the year ended 31 December 2022, based on the latest waste treatment volume of a hazardous waste treatment plant of the Group in Hunan province, the PRC (the "Hunan 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%. Based on the results of the impairment assessment, the recoverable amount of the Hunan Plant was estimated to be approximately RMB22,387,000, and additional impairment loss of RMB73,435,000 was recognised against the operating concession during the year ended 31 December 2022.

(c) Gas operation

Year ended 31 December 2023

During the year ended 31 December 2023, certain subsidiaries of the Group engaged in the operation of natural gas refueling stations and direct supply of LNG to industrial users have been loss-making for some time. In respect of the loss-making in gas operation, the directors of the Company are of the opinion that it is unlikely for the respective refueling stations and direct supply facilities to generate net cash inflows in the near future and the future operating cash flows from this gas operation is adversely affected. In view of the afore-mentioned loss-making gas operation, the directors are of the view that a positive cash flow projection could not be derived from gas operation in the foreseeable future, and therefore, a full impairment provision of RMB16,853,000 (2022: Nil) was recognised during the year ended 31 December 2023 against the property, plant and equipment attributable to the direct supply to industrial users and natural gas refueling stations segments.

21. INVESTMENTS IN JOINT VENTURES

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Share of net assets	**295,703**	221,895

All joint ventures of the Group are not individually material.

22. INVESTMENTS IN ASSOCIATES

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Share of net assets, net of impairment	*(b), (c)*	**49,171,828**	47,194,081
Goodwill on acquisition, net of impairment	*(b), (c)*	**9,686,036**	9,447,407
		58,857,864	56,641,488

Notes:

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

Company name	Place of incorporation/ registration and business	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")	PRC/Chinese Mainland	Paid-up capital	40	40	40
BE Water[π]	Bermuda	Ordinary shares	41.13	41.13	41.13
China Gas Holdings Limited ("China Gas")[Ω]	Bermuda	Ordinary shares	23.57	23.57	23.57
PJSC Verkhnechonskneftegaz ("VCNG")	Russia	Ordinary shares	20	20	20

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 2023 and the date of approval of these financial statements, based on its then quoted market prices, amounted to approximately RMB6.5 billion (2022: RMB7.3 billion (restated)) and RMB6.6 billion (2022: RMB7.1 billion (restated)), respectively.*

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 2023 and the date of approval of these financial statements, based on its then quoted market prices, amounted to approximately RMB8.9 billion (2022: RMB12.8 billion (restated)) and RMB8.4 billion (2022: RMB12.4 billion (restated)), respectively.*

During the year ended 31 December 2023, the Group's equity interest in China Gas increased from 23.39% to 23.57% after the purchase of 8,674,400 shares by the Group and the repurchase of 4,762,600 shares by China Gas from the market.

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.

22. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes: (Continued)

(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 Chinese Mainland.

(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 and the licensing of technical know-how that is related to sewage treatment in Chinese Mainland and certain overseas countries.

(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 service in Chinese Mainland.

(iv) VCNG is principally engaged in oil, gas and gas condensate fields exploration, production and sale in Russia.

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	
	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)
Current assets	3,217,092	6,664,012	40,384,836	40,995,534	43,630,517	49,880,642	4,710,554	6,637,595
Non-current assets	36,571,253	38,290,191	125,108,357	120,756,110	89,898,961	86,984,557	35,504,473	32,617,485
Current liabilities	(2,370,552)	(6,128,852)	(42,498,671)	(44,652,219)	(46,966,622)	(46,046,751)	(2,963,659)	(2,361,814)
Non-current liabilities	(2,718,566)	(6,352,507)	(68,861,047)	(64,892,125)	(32,761,307)	(34,372,852)	(6,034,965)	(6,251,472)
Net assets	34,699,227	32,472,844	54,133,475	52,207,300	53,801,549	56,445,596	31,216,403	30,641,794
Less: Non-controlling interests	–	–	(22,751,068)	(22,360,877)	(5,987,693)	(6,897,320)	–	–
Net assets attributable to shareholders of the associates	34,699,227	32,472,844	31,382,407	29,846,423	47,813,856	49,548,276	31,216,403	30,641,794
Reconciliation to the Group's investments in the associates								
Proportion of the Group's ownership	40%	40%	41.13%	41.13%	23.57%	23.39%	20%	20%
Group's share of net assets of the associates, excluding goodwill recognised by the Group	13,879,691	12,989,138	12,907,584	12,275,834	11,269,726	11,589,342	6,243,281	6,128,359
Goodwill on acquisition recognised by the Group	–	–	399,627	399,627	7,243,568	7,075,519	1,584,929	1,534,211
Other reconciling items	–	–	(26,286)	(26,286)	–	–	–	–
Carrying amount of the investments	13,879,691	12,989,138	13,280,925	12,649,175	18,513,294	18,664,861	7,828,210	7,662,570
Other disclosures								
Revenue	11,383,660	10,518,233	24,519,374	21,484,840	76,631,634	79,338,695	20,736,999	24,450,387
Profit for the year	6,418,154	4,462,727	3,064,327	2,335,171	3,036,325	6,886,275	5,207,272	6,040,575
Profit for the year attributable to shareholders of the associates	6,418,154	4,462,727	1,895,681	1,180,430	2,580,051	5,862,564	5,207,272	6,040,575
Other comprehensive loss for the year	–	–	(1,071,234)	(2,371,861)	(2,414,876)	(6,692,683)	–	–
Other comprehensive loss for the year attributable to shareholders of the associates	–	–	(1,070,460)	(2,313,571)	(2,280,353)	(6,005,018)	–	–
Share of the associates' profit for the year	2,567,261	1,785,091	779,694	485,511	584,686	1,338,311	1,041,454	1,208,115
Share of the associates' other comprehensive loss for the year	–	–	(440,280)	(951,572)	(538,298)	(1,409,378)	–	–
Dividend received/receivable by the Group	1,593,183	844,836	583,876	490,893	574,947	601,377	667,991	2,058,317

* *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 2023 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 2023 is as of 30 September 2023 or for the twelve months ended 30 September 2023.*

22. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes: (Continued)

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Share of the associates' profit/(loss) for the year	**358,899**	234,924
Share of net assets of the associates, net of impairment	**4,897,832**	4,237,694
Goodwill on acquisition recognised by the Group, net of impairment	**457,912**	438,050

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Listed equity investments, at fair value		
– Beijing Jingneng Clean Energy Co., Limited	**306,980**	318,924
– Biosino Bio-Technology and Science Incorporation	**–**	30,461
– CNPC Capital Company Limited	**1,254,521**	1,370,601
	1,561,501	1,719,986
Unlisted equity investments, at fair value	**260,312**	263,150
	1,821,813	1,983,136

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.

As 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 RMB1.7 billion (2022: RMB2.1 billion (restated)).

24. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

This fund investment as at 1 January 2022 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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Raw materials	**3,686,858**	3,712,380
Work in progress	**268,181**	275,989
Finished goods	**1,194,613**	1,010,586
	5,149,652	4,998,955

26. TRADE RECEIVABLES

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Trade receivables	**4,686,442**	5,206,373
Impairment *(note (d))*	**(286,164)**	(312,135)
	4,400,278	4,894,238

Notes:

(a) Included in the Group's trade receivables as at 31 December 2023 were aggregate amounts of RMB73,000 (2022: RMB53,488,000 (restated)) and RMB44,011,000 (2022: RMB49,075,000 (restated)) 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 2023, trade receivables amounting to RMB1,093,000 (2022: RMB35,040,000 (restated)) were pledged to secure certain bank loans (note 34(c)).

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:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Billed:		
Within one year	3,678,540	1,661,388
One to two years	138,737	151,476
Two to three years	29,399	18,290
Over three years	21,154	5,621
	3,867,830	1,836,775
Unbilled*	532,448	3,057,463
	4,400,278	4,894,238

* *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:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
At 1 January	312,135	296,009
Impairment losses recognised during the year, net	36,266	48,741
Amount written off as uncollectible	(73,155)	(47,067)
Exchange realignment	10,918	14,452
At 31 December	286,164	312,135

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.

26. TRADE RECEIVABLES *(Continued)*

Notes: (Continued)

(d) (Continued)

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

At 31 December 2023

		Billed				
	Unbilled	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Gross carrying amount *(RMB'000)*	**533,545**	**3,735,996**	**188,122**	**46,279**	**182,500**	**4,686,442**
Expected credit losses *(RMB'000)*	**1,097**	**57,456**	**49,385**	**16,880**	**161,346**	**286,164**
Expected credit loss rate	**0.21%**	**1.54%**	**26.25%**	**36.47%**	**88.41%**	**6.11%**

At 31 December 2022 (restated)

		Billed				
	Unbilled	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Gross carrying amount *(RMB'000)*	3,069,416	1,711,959	200,351	22,485	202,162	5,206,373
Expected credit losses *(RMB'000)*	11,953	50,571	48,875	4,195	196,541	312,135
Expected credit loss rate	0.39%	2.95%	24.39%	18.66%	97.22%	6.00%

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Prepayments		**2,029,728**	2,306,968
Deposits and other receivables	*(a)*	**1,577,114**	2,144,573
Due from holding companies	*28*	**1,718,189**	1,483,666
Due from fellow subsidiaries	*28*	**100,306**	291,860
Due from joint ventures	*28*	**44,250**	–
Due from associates	*28*	**284,472**	1,333,357
Contract assets	*(b)*	**1,126,959**	895,183
Listed equity securities at fair value through profit or loss	*(c)*	**81**	111
Certificates of deposit	*(d)*	**5,900,000**	2,850,000
		12,781,099	11,305,718
Impairment	*(e)*	**(292,902)**	(365,731)
		12,488,197	10,939,987
Portion classified as current assets		**(6,440,545)**	(6,797,020)
Non-current portion		**6,047,652**	4,142,967

Notes:

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

(i) certain deposits of RMB235,893,000 (2022: RMB220,766,000 (restated)) 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 RMB16 million) (2022: EUR2 million (equivalent to approximately RMB15 million (restated))) 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 RMB37,938,000 (2022: RMB33,674,000 (restated)) 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.

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 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Contract assets	**6,402,008**	5,704,169	4,240,488
Less: Non-current portion classified in operating concession and receivables under service concession arrangements (note 18(c))	**(5,275,049)**	(4,808,986)	(3,710,085)
Current portion	**1,126,959**	895,183	530,403

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 2023 and 2022 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 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Within one year	**1,126,959**	892,843
After one year	–	2,340
Total contract assets included in prepayments, other receivables and other assets	**1,126,959**	895,183

(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 2023, the Group held certificates of deposit issued by banks in Chinese Mainland 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.

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 2023, the probability of default rates applied for other receivables ranged from 0.04% to 0.05% (2022: 0.05% to 0.10%) and the loss given default rates estimated range from 61.60% to 62.30% (2022: 61.60% 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:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
At 1 January	**365,731**	351,952
Impairment/(reversal of impairment) recognised during the year, net	**(64,171)**	14,961
Amount written off as uncollectible	**(8,175)**	(581)
Exchange realignment	**(483)**	(601)
At 31 December	**292,902**	365,731

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 2023 and 2022, the loss allowance of these balances was assessed to be minimal.

28. BALANCES WITH RELATED PARTIES

The balances with holding companies, fellow subsidiaries, joint ventures, associates and a non-controlling equity holder of a subsidiary are unsecured, interest-free and repayable on demand, except for interest-bearing loans of RMB1,374 million (2022: RMB1,472 million (restated)) advanced from an associate, further details of which are set out in note 34(b)(i) 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.

29. RESTRICTED CASH AND PLEDGED DEPOSITS

	Notes	**2023** *RMB'000*	2022 *RMB'000* (Restated)
Restricted cash	*(a)*	**17,327**	144,735
Pledged deposits	*(b)*	**1,019**	6,572
Restricted cash and pledged deposits		**18,346**	151,307

Notes:

(a) Restricted cash of the Group included:

(i) the proceeds of a government surcharge of RMB23,962,000 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") as at 31 December 2022. 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;

(ii) the savings fund for migrant workers of RMB4,873,000 (2022: RMB6,266,000 (restated)), 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 which cannot be withdrawn or sold before maturity as at 31 December 2022.

(b) Bank balances of RMB1,019,000 (2022: RMB6,090,000 (restated)) as at 31 December 2023 were pledged to secure certain bank loans granted to the Group (note 34(c)). In addition, security deposits of RMB482,000 were pledged to government authorities and a customer for the provision of construction and related services as at 31 December 2022.

30. CASH AND CASH EQUIVALENTS

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Cash and bank balances other than time deposits	**14,621,356**	19,546,681
Saving deposits placed in a financial institution (an associate of the Group) *(note 46(a)(x))*	**456,136**	620,800
Time deposits:		
Placed in banks	**7,727,301**	6,415,620
Placed in a financial institution (an associate of the Group) *(note 46(a)(x))*	**6,071,914**	1,153,796
	28,876,707	27,736,897
Less: Restricted cash and pledged deposits *(note 29)*	**(18,346)**	(151,307)
Cash and cash equivalents	**28,858,361**	27,585,590

Notes:

(a) At 31 December 2023, the cash and deposit balances of the Group denominated in RMB amounted to RMB24.4 billion (2022: RMB25.7 billion (restated)). The RMB is not freely convertible into other currencies, however, under Chinese Mainland'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 (2022: seven days and one year) 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 in the PRC for the purpose of refinancing its existing loan facility and the 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. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2022, the Group had 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 Chinese Mainland, 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 were carried out through China Beijing Equity Exchange ("CBEX") and the successful bidder(s) would enter into asset transaction agreements with the Group according to relevant rules and regulations of CBEX. The public tender process was still ongoing and has not been completed as at the date of approval of the consolidated financial statements for the year ended 31 December 2022. In light of this, the Disposal Groups are classified as held for sale as at 31 December 2022.

The major classes of assets and liabilities classified as held for sale as at 31 December 2022 are as follows:

	Notes	2022 *RMB'000* (Restated)
Assets		
Property, plant and equipment	*14*	215,303
Right-of-use assets	*16(b)*	16,289
Inventories		127,520
Trade receivables		7,859
Prepayments, other receivables and other assets		8,546
Other tax recoverables		53
Cash and cash equivalents		36,104
Assets of disposal groups classified as held for sale		411,674
Liabilities		
Trade and bills payables		(76,991)
Other payables, accruals and contract liabilities		(122,941)
Other tax payables		(42,037)
Bank and other borrowings		(105)
Lease liabilities	*16(b)*	(1,283)
Other non-current liabilities		(488)
Deferred tax liabilities	*39*	(293)
Liabilities directly associated with the assets of disposal groups classified as held for sale		(244,138)
Net assets of disposal groups classified as held for sale		167,536

During the year ended 31 December 2023, the management decided to terminate the disposal plan and therefore ceased to classify assets and liabilities of the Disposal Groups as held for sale.

32. SHARE CAPITAL

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Issued and fully paid: 1,260,203,268 ordinary shares	**28,340,052**	28,340,052

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

	Number of shares in issue	**Share capital** *RMB'000* (Restated)
At 1 January 2022	1,262,053,268	28,340,052
Shares repurchased and cancelled *(note)*	(1,850,000)	–
At 31 December 2022, 1 January 2023 and 31 December 2023	1,260,203,268	28,340,052

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 (equivalent to RMB21.09 (restated)) per share. All the repurchased shares were cancelled by the Company during the prior year and the total amount paid for the repurchase of these shares of approximately HK$45,362,000 (equivalent to RMB39,011,000 (restated)) was charged to retained profits of the Company in accordance with section 257 of the Hong Kong Companies Ordinance.

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 2023 were distributable in the form of cash dividends.

34. BANK AND OTHER BORROWINGS

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Bank loans:		
Secured	**2,830,771**	3,733,433
Unsecured	**40,026,604**	40,235,522
	42,857,375	43,968,955
Other loans:		
Secured	**46,997**	–
Unsecured	**13,673,415**	5,330,990
	13,720,412	5,330,990
Total bank and other borrowings	**56,577,787**	49,299,945
Portion classified as current liabilities	**(34,403,393)**	(21,660,023)
Non-current portion	**22,174,394**	27,639,922

Notes:

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
HK$	**2,085,567**	22,684,570
RMB	**42,227,419**	7,199,052
US$	**2,722,183**	3,664,236
EUR	**9,542,618**	15,752,087
	56,577,787	49,299,945

34. BANK AND OTHER BORROWINGS *(Continued)*

Notes: (Continued)

(b) The Group's bank and other borrowings as at 31 December 2023 included the following:

(i) loans of RMB1,374 million (2022: RMB1,472 million (restated)) in total advanced from an associate, which are unsecured, bear interest at rates ranging from one-year Loan Prime Rate less 25 basis points to 4.65% (2022: 3.80% to 4.65%) per annum and are repayable in 2024 to 2035. Interest expenses of RMB93,481,000 (2022: RMB34,292,000 (restated)) were recognised in profit or loss during the year in respect of these loans (note 46(a)(x)); and

(ii) bank and other loans with an aggregate carrying amount of RMB5,204,732,000 (2022: RMB4,567,531,000 (restated)) 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% (2022: SOFR+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	
	Notes	**2023** ***RMB'000***	2022 *RMB'000* (Restated)
Buildings	*14(a)*	**25,814**	315,524
Gas pipelines	*14(a)*	**455,236**	397,336
Operating concessions	*18(a)*	**3,931,209**	1,749,728
Receivables under service concession arrangements	*18(a)*	**500,227**	942,033
Trade receivables	*26(b)*	**1,093**	35,040
Deposit paid to a bank	*27(a)(ii)*	**16,163**	14,714
Bank balances	*29(b)*	**1,019**	6,090

In addition to the pledge of assets given above, bank loans with a total carrying amount of RMB20,496,256,000 (2022: RMB1,103,520,000 (restated)) as at 31 December 2023 are guaranteed by the Company.

(d) The loan agreements in respect of certain bank loans outstanding as at 31 December 2023 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.

34. BANK AND OTHER BORROWINGS *(Continued)*

Notes: (Continued)

(d) *(Continued)*

A summary of these bank loans as at 31 December 2023 is as follows:

	Year of drawdown	Contractual interest rate per annum	Final maturity
HK$1,000 million revolving loan	2020	1-month HIBOR/EURIBOR+0.55%/SOFR+0.6%	22 Jun 2024
HK$1,000 million revolving loan	2020	1-month HIBOR/EURIBOR+0.7%/SOFR+0.75%	22 Jun 2024
EUR50 million bridge loan	2022	1-month HIBOR/SOFR+0.95%/EURIBOR+0.7%	4 Apr 2024
EUR420 million revolving loan	2022	1-month HIBOR+1%/EURIBOR+0.65%/3.5%	28 Nov 2024
HK$3,000 million revolving loan	2022	1-month HIBOR+0.8%	18 Oct 2024
US$60 million revolving loan	2023	1-month HIBOR/EURIBOR+0.75%/SOFR+0.95%	14 Apr 2024
Three-year RMB2,000 million term loan	2023	1-year LRP-0.65%	26 Jun 2026
One-year RMB1.8 billion term loan	2023	2.80%	17 Jul 2024
One-year RMB1.3 billion term loan	2023	2.80%	25 Jul 2024
EUR70 million revolving loan	2023	1-month HIBOR/SOFR/EURIBOR/CNH HIBOR+0.65%	23 Aug 2024
One-year RMB7.0 billion term loan	2023	3.20%	18 Sep 2024
One-year RMB4.5 billion term loan	2023	2.95%	13 Jul 2024
One-year RMB1.0 billion term loan	2023	2.80%	13 Jul 2024
One-year RMB2.0 billion term loan	2023	2.92%	27 Aug 2024
One-year RMB1.5 billion term loan	2023	3.20%	19 Oct 2024
HK$500 million revolving loan	2023	1-month HIBOR/SOFR/EURIBOR+0.8%	17 Mar 2024
US$100 million revolving loan	2023	1-month HIBOR+0.7%/SOFR/EURIBOR/COF+0.8%	14 Apr 2024
HK$800 million revolving loan	2023	1-month HIBOR+0.8%/SOFR+0.7%/EURIBOR+0.75%	22 Mar 2024
One-year EUR400 million term loan	2023	1-month EURIBOR+0.65%	11 May 2024

Based on the best belief and knowledge of the Company's directors, none of the above events took place during the year and as at the date of approval of these financial statements.

(e) Certain corporate bonds classified as other borrowings include covenants imposing specific performance obligations of the Company, among which any one of the following events would constitute events of default:

(i) if there is a change of control: change of beneficial controller of the Company; and

(ii) there is a change in credit rating within six months of the date of such change of control: offshore rating of the Company downgraded to non-investment grade.

Based on the best belief and knowledge of the Company's directors, none of the above events took place during the year and as at the date of approval of these financial statements.

(f) Included in the secured bank loans was a loan of RMB469,032,000 drawn down 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. The bank loan was fully repaid on 7 March 2023.

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	2023 *RMB'000*	2022 *RMB'000* (Restated)
2011 Second Senior Notes	US$400	6.375%	2041	2,787,416	2,697,198
2015 US$ Bonds	US$200	4.99%	2040	1,384,556	1,339,151
2020 Green Bonds	EUR500	1%	2025	3,903,274	3,654,989
EEW Green Bonds	EUR400	0.361%	2026	3,128,309	2,932,628
2021 US$ Bonds Series 1	US$300	2%	2026	2,119,033	2,046,596
2021 US$ Bonds Series 2	US$400	3.125%	2031	2,798,690	2,704,256
2022 Guaranteed Notes	US$500	1.875%	2025	3,546,534	3,429,898
				19,667,812	18,804,716

The above guaranteed bonds and notes are all repayable after more than one year as at 31 December 2023 and 2022 and hence they are classified as non-current liabilities.

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 2023 was approximately RMB19.0 billion (2022: approximately RMB17.4 billion (restated)), based on price quotations from financial institutions at the reporting date.

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 *RMB'000*	Supplemental post-retirement allowance and beneficiary benefit plans *RMB'000*	Internal retirement benefit plan *RMB'000*	Post-employment physical examination plan *RMB'000*	Total *RMB'000*
Year ended 31 December 2023					
Current service cost	**57,641**	**4,807**	**7,300**	**6,987**	**76,735**
Past service cost	**16,281**	**2,232**	**–**	**2,498**	**21,011**
Interest cost	**37,661**	**7,545**	**13,620**	**7,571**	**66,397**
Net benefit expense	**111,583**	**14,584**	**20,920**	**17,056**	**164,143**
Year ended 31 December 2022 (restated)					
Current service cost	56,844	4,598	23,754	6,696	91,892
Past service cost	6,878	799	–	1,090	8,767
Interest cost	38,307	7,563	7,573	7,540	60,983
Net benefit expense	102,029	12,960	31,327	15,326	161,642

36. DEFINED BENEFIT PLANS *(Continued)*

(b) Present value of the defined benefit obligations

2023

	Supplemental post-retirement medical reimbursement plan *RMB'000*	Supplemental post-retirement allowance and beneficiary benefit plans *RMB'000*	Internal retirement benefit plan *RMB'000*	Post-employment physical examination plan *RMB'000*	Total *RMB'000*
At 1 January 2023 (restated)	1,164,716	237,172	361,398	235,924	1,999,210
Net benefit expenses recognised in profit or loss	111,583	14,584	20,920	17,056	164,143
Benefits paid	(14,236)	(8,772)	(21,655)	(3,987)	(48,650)
Actuarial losses on obligations, recognised in other comprehensive income	150,109	25,569	75,527	15,600	266,805
Exchange realignment	–	–	25,495	–	25,495
At 31 December 2023	1,412,172	268,553	461,685	264,593	2,407,003
Portion classified as current liabilities included in other payables, accruals and contract liabilities *(note 41)*					(27,026)
Non-current portion					2,379,977

36. DEFINED BENEFIT PLANS *(Continued)*

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

2022 (restated)

	Supplemental post-retirement medical reimbursement plan *RMB'000*	Supplemental post-retirement allowance and beneficiary benefit plans *RMB'000*	Internal retirement benefit plan *RMB'000*	Post-employment physical examination plan *RMB'000*	Total *RMB'000*
At 1 January 2022	1,184,390	237,524	711,550	234,835	2,368,299
Net benefit expenses recognised in profit or loss	102,029	12,960	31,327	15,326	161,642
Benefits paid	(11,343)	(8,203)	(15,309)	(3,337)	(38,192)
Actuarial gains on obligations, recognised in other comprehensive income	(110,360)	(5,109)	(364,720)	(10,900)	(491,089)
Exchange realignment	–	–	(1,450)	–	(1,450)
At 31 December 2022	1,164,716	237,172	361,398	235,924	1,999,210
Portion classified as current liabilities included in other payables, accruals and contract liabilities *(note 41)*					(22,943)
Non-current portion					1,976,267

At 31 December 2023, the expected contribution to be made within the next 12 months out of the defined benefit obligations was RMB27,026,000 (2022: RMB22,943,000 (restated)).

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 2023 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:

	2023	2022
Beijing Gas:		
Discount rate	2.75%	3.25%
Healthcare cost inflation rate	7.00%	7.00%
EEW Group:		
Discount rate	3.30%	3.70%
Salary increase rate	2.50%	2.50%

36. DEFINED BENEFIT PLANS *(Continued)*

(c) Principal assumptions *(Continued)*

A quantitative sensitivity analysis for significant assumptions as at 31 December 2023 and 2022 is shown below:

	Increase in rate %	Increase/ (decrease) in net defined benefit obligations RMB'000	Decrease in rate %	Increase/ (decrease) in net defined benefit obligations RMB'000
Beijing Gas				
2023				
Discount rate	**0.25**	**(102,510)**	**0.25**	**112,799**
Healthcare cost inflation rate	**1.00**	**487,221**	**1.00**	**(344,665)**
2022 (restated)				
Discount rate	0.25	(97,276)	0.25	106,228
Healthcare cost inflation rate	1.00	367,433	1.00	(262,235)
EEW Group				
2023				
Discount rate	**0.25**	**(27,910)**	**0.25**	**31,713**
Salary increase rate	**0.50**	**2,485**	**0.50**	**(2,407)**
2022 (restated)				
Discount rate	0.25	(22,781)	0.25	25,860
Salary increase rate	0.50	1,318	0.50	(2,407)

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.

37. PROVISION FOR MAJOR OVERHAULS AND ONEROUS CONTRACTS

Pursuant to the service concession arrangements on the Group's environmental operations in Chinese Mainland, 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, demolishment 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.

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 *RMB'000*	Onerous contracts *RMB'000*	Total *RMB'000*
Year ended 31 December 2023			
At 1 January 2023 (restated)	**112,030**	**156,663**	**268,693**
Additional of provision, net	**38,921**	**–**	**38,921**
Increase in discounted amount arising from the passage of time	**2,611**	**–**	**2,611**
Exchange realignment	**6,594**	**10,291**	**16,885**
At 31 December 2023	**160,156**	**166,954**	**327,110**
Portion classified as current liabilities	**–**	**(44,477)**	**(44,477)**
Non-current portion	**160,156**	**122,477**	**282,633**
Year ended 31 December 2022 (restated)			
At 1 January 2022	195,132	154,189	349,321
Reversal of provision, net	(84,431)	–	(84,431)
Increase in discounted amount arising from the passage of time	1,139	–	1,139
Exchange realignment	190	2,474	2,664
At 31 December 2022	112,030	156,663	268,693
Portion classified as current liabilities	–	(41,735)	(41,735)
Non-current portion	112,030	114,928	226,958

38. OTHER NON-CURRENT LIABILITIES

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Other liabilities – non-current portion *(note 41)*	**664,959**	365,412
Deferred income *(note)*	**1,418,253**	1,513,194
	2,083,212	1,878,606

Note: Deferred income of the Group mainly represented government subsidies in respect of the construction of gas pipelines and brewery plants in Chinese Mainland 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:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Deferred tax assets	**2,033,262**	1,570,643
Deferred tax liabilities	**(2,144,049)**	(2,091,640)
	(110,787)	(520,997)

39. DEFERRED TAX *(Continued)*

The components of deferred tax assets and liabilities and their movements during the years ended 31 December 2023 and 2022 are as follows:

		Attributable to											
	Notes	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	Transfer of assets from customers *RMB'000*	Depreciation allowances in excess of related depreciation *RMB'000*	Revaluation of investment properties *RMB'000*	Revaluation of equity investments at fair value through other comprehensive income *RMB'000*	Impairment provision and accrued expenses *RMB'000*	Defined benefit obligations *RMB'000*	Provision for major overhauls and onerous contracts *RMB'000*	Temporary differences related to operating concessions *RMB'000*	Losses available for offsetting future taxable profits *RMB'000* *(note (a))*	Withholding tax on unremitted profits *RMB'000* *(note (b))*	Net deferred tax assets/ (liabilities) *RMB'000*
At 1 January 2022 (restated)		(1,373,737)	(114,709)	(51,146)	(97,181)	160,680	933,776	479,279	68,089	(240,030)	11,382	(100,061)	(323,658)
Acquisition of subsidiaries (restated)	*43*	(106,996)	–	–	–	–	–	–	–	–	–	–	(106,996)
Deferred tax credited/(charged) to profit or loss during the year (restated)	*11*	127,640	448	(28,574)	–	–	(4,426)	10,018	247	(6,314)	–	–	99,039
Deferred tax credited to other comprehensive income during the year (restated)		–	–	–	–	(23,991)	–	(141,361)	–	–	–	–	(165,352)
Transfer to assets of disposal groups classified as held for sale (restated)	*31*	–	–	293	–	–	–	–	–	–	–	–	293
Exchange realignment (restated)		(27,728)	–	(351)	–	(31,339)	20,377	30,515	963	(9,551)	112	(7,321)	(24,323)
At 31 December 2022 and 1 January 2023 (restated)		(1,380,821)	(114,261)	(79,778)	(97,181)	105,350	949,727	378,451	69,299	(255,895)	11,494	(107,382)	(520,997)
Deferred tax credited/(charged) to profit or loss during the year	*11*	102,618	(6,337)	(15,839)	–	–	167,916	114,308	(35)	(7,727)	–	43,679	398,583
Deferred tax charged to other comprehensive income during the year		–	–	–	–	2,478	–	70,506	–	–	–	–	72,984
Transfer from assets of disposal groups classified as held for sale		–	–	(293)	–	–	–	–	–	–	–	–	(293)
Disposal of subsidiaries		–	–	–	–	–	(114)	–	(5,955)	–	–	–	(6,069)
Deregistration of a subsidiary		–	–	–	–	–	–	–	–	598	–	–	598
Exchange realignment		(69,560)	–	(7,726)	–	–	(1,057)	20,831	4,003	–	466	(2,550)	(55,593)
At 31 December 2023		(1,347,763)	(120,598)	(103,636)	(97,181)	107,828	1,116,472	584,096	67,312	(263,024)	11,960	(66,253)	(110,787)

Notes:

(a) At 31 December 2023, deferred tax assets have not been recognised in respect of unused tax losses of RMB2,910,873,000 (2022: RMB3,198,372,000 (restated)) 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 RMB2,889,233,000 (2022: RMB3,176,732,000 (restated)) 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.

39. DEFERRED TAX *(Continued)*

Notes: (Continued)

(b) *(Continued)*

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

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

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 Chinese Mainland, 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 Chinese Mainland, Germany and Luxembourg and Russia for which deferred tax liabilities have not been recognised totalled approximately RMB42 billion (2022: RMB39 billion (restated)) as at 31 December 2023.

(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:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Billed:		
Within one year	3,637,593	3,750,805
One to two years	504,757	217,133
Two to three years	63,508	16,114
Over three years	31,479	15,686
	4,237,337	3,999,738
Unbilled*	537,366	883,601
	4,774,703	4,883,339

* *The unbilled balance was attributable to (i) purchase of natural gas near the year end which was billed subsequently in early January 2024; (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 2023 are amounts of RMB68,318,000 (2022: RMB49,163,000 (restated)) 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.

41. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	Notes	2023 HK$'000	2022 HK$'000 (Restated)
Accruals		**2,030,158**	1,571,436
Defined benefit obligations – current portion	*36(b)*	**27,026**	22,943
Other liabilities	*(a)*	**8,925,290**	9,180,081
Due to holding companies	*28*	**967,341**	2,178,944
Due to fellow subsidiaries	*28*	**564,465**	683,981
Due to joint ventures	*28*	**23,785**	–
Due to associates	*28*	**59,149**	56,734
Due to a non-controlling equity holder of a subsidiary	*28*	**252,628**	231,326
Contract liabilities	*(b)*	**9,237,196**	8,819,397
		22,087,038	22,744,842
Portion classified as current liabilities		**(21,422,079)**	(22,379,430)
Non-current portion	*38*	**664,959**	365,412

Notes:

(a) The Group's other liabilities as at 31 December 2023 included construction costs of RMB188,601,000 (2022: RMB265,818,000 (restated)) 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.

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

Notes: (Continued)

(b) Details of contract liabilities are as follows:

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000* (Restated)	1 January 2022 *RMB'000* (Restated)
Short-term advances received from customers in respect of:			
Sale of piped natural gas	**7,669,030**	7,306,240	9,029,861
Sale of brewery products	**1,466,846**	1,391,103	1,343,022
Provision of solid waste treatment services	**101,320**	122,054	70,787
Total contract liabilities	**9,237,196**	8,819,397	10,443,670

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.

Increase in contract liabilities in 2023 was mainly due to increases 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 2023 and 2022, and summary financial information of which is set out below:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Consolidated profit for the year allocated to non-controlling interests	**506,269**	338,022
Dividends paid to non-controlling equity holders	**234,516**	191,833
Accumulated balances of non-controlling interests at the reporting date	**8,104,169**	7,812,375

42. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Revenue	**13,527,729**	12,728,224
Total expenses	**(12,792,063)**	(12,276,686)
Profit for the year	**735,666**	451,538
Total comprehensive income for the year	**735,666**	451,538
Current assets	**11,678,013**	11,392,234
Non-current assets	**10,518,828**	10,228,533
Current liabilities	**(8,095,060)**	(7,906,796)
Non-current liabilities	**(494,749)**	(628,128)
Net cash flows from operating activities	**1,585,897**	1,461,982
Net cash flows used in investing activities	**(633,278)**	(564,781)
Net cash flows from/(used in) financing activities	**(44,121)**	57,549
Net increase in cash and cash equivalents	**908,498**	954,750

* *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 for a cash consideration of HK$500,000,000 (equivalent to RMB440,000,000 (restated)) 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 Chinese Mainland.

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 *RMB'000* (Restated) *(note (a))*
Net assets acquired:		
Property, plant and equipment	*14*	543,114
Investment properties	*15*	64,769
Right-of-use assets	*16(b)*	42,025
Other intangible assets	*19*	58,033
Investments in joint ventures		25,690
Investments in associates		2,021,155
Equity investments at fair value through other comprehensive income		417
Financial assets at fair value through profit and loss		112
Inventories		17,824
Trade receivables		98,402
Prepayments, other receivables and other assets		583,775
Other tax recoverable		916
Restricted cash and pledged deposits		14,125
Cash and cash equivalents		487,575
Trade and bills payables		(115,314)
Other payables, accruals and contract liabilities		(265,404)
Income tax payables		(54,309)
Bank and other borrowings		(2,438,293)
Lease liabilities	*16(b)*	(13,241)
Deferred tax liabilities	*39*	(106,996)
Total identifiable net assets acquired at fair value		964,375
Non-controlling interests		(483,487)
Goodwill on acquisition	*17*	506,815
		987,703

43. BUSINESS COMBINATION *(Continued)*

	2022 *RMB'000* (Restated)
Satisfied by:	
Cash	440,000
Transfer of a subsidiary into the Blue Sky Group	63,590
Fair value of the 41.13% equity interest of Blue Sky held by the Group before the business combination	484,113
	987,703

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2022 *RMB'000* (Restated)
Cash consideration paid	(440,000)
Cash and cash equivalents acquired	487,575
Net inflow of cash and cash equivalents included in cash flows from investing activities	47,575

Notes:

(a) 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. The initial accounting for the acquisition was completed during the current year and there were no changes to the provisional amounts disclosed above.

(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 prior year, the Group's profit for the year ended 31 December 2022 would have been RMB7,101,540,000 (restated) and the Group's revenue would have been RMB80,757,185,000 (restated).

44. 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 RMB177,837,000 (2022: RMB320,302,000) (restated) each in respect of lease arrangements for land, office premises, staff quarters, plant and machinery and motor vehicles.

During the year ended 31 December 2022, in lieu of cash settlement, overdue receivables amounting to RMB110,000,000 in total were settled by way of properties with a total fair value of RMB117,763,000 (restated).

Save as disclosed above, the Group had no other major non-cash transactions of investing and financing activities during the years ended 31 December 2023 and 2022.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings *RMB'000*	Guaranteed bonds and notes *RMB'000*	Lease liabilities *RMB'000*
At 1 January 2022 (restated)	30,321,212	28,723,134	785,790
Changes from financing cash flows			
– on principal portion (restated)	15,320,911	(11,037,505)	(363,531)
– on interest portion (restated)	(1,104,464)	(640,565)	(36,695)
New leases (restated)	–	–	320,302
Acquisition of subsidiaries (restated)	2,438,293	–	13,241
Interest expense (restated)	1,104,464	655,477	36,695
Early termination of leases (restated)	–	–	(14,291)
Transfer of liabilities of disposal groups classified as held for sale (restated)	(105)	–	(1,283)
Exchange realignment (restated)	1,219,634	1,104,175	4,060
At 31 December 2022 and 1 January 2023 (restated)	**49,299,945**	**18,804,716**	**744,288**
Changes from financing cash flows			
– on principal portion	**6,144,307**	**–**	**(302,454)**
– on interest portion	**(2,345,715)**	**(492,871)**	**(33,872)**
New leases	**–**	**–**	**177,837**
Interest expense	**2,345,715**	**519,130**	**33,872**
Early termination of leases	**–**	**–**	**(1,434)**
Transfer from liabilities of disposal groups classified as held for sale	**105**	**–**	**1,283**
Exchange realignment	**1,133,430**	**836,837**	**10,305**
At 31 December 2023	**56,577,787**	**19,667,812**	**629,825**

44. 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:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Within operating activities	**85,964**	72,401
Within financing activities	**336,326**	400,226
	422,290	472,627

45. CAPITAL COMMITMENTS

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Contracted, but not provided for:		
Gas pipelines and plant and machinery	**6,930,123**	10,208,196
Service concession arrangements	**599,665**	84,868
Total	**7,529,788**	10,293,064

46. 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	2023 RMB'000	2022 RMB'000 (Restated)
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[γ]	(i)	76,932	74,422
	Purchase of bottle caps[γ]	(i)	465	14,368
	Canning service fees paid[γ]	(ii)	18,877	23,494
	Comprehensive support service fees paid[γ]	(iii)	15,741	15,744
	Land rental expenses[γ]	(iv)	1,804	1,849
	Trademark licensing fees paid[γ]	(v)	55,444	43,392
	Less: refund for advertising subsidies[γ]	(v)	(7,616)	(7,060)
Fellow subsidiaries:				
北京北燃實業有限公司 ("Beijing Beiran") and its subsidiaries	Sale of piped natural gas[#]	(vi)	738,934	83,973
	Engineering service income[#]	(vii)	14,808	12,218
	Comprehensive service income[#]	(vii)	5,640	2
	Engineering service expenses[#]	(vii)	247,534	124,470
	Comprehensive service expenses[#]	(vii)	137,705	81,816
	Building rental expenses[#]	(viii)	147,814	121,892
	Purchase of goods[#]	(viii)	161,384	79,151
	Sale of goods[#]	(ix)	72,063	61,795
Associate:				
北京控股集團財務有限公司 ("BE Group Finance")	Interest expense	(x)	93,481	34,292
	Interest income[@]	(x)	40,464	64,554

γ *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 transaction also constitutes 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.*

46. 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 RMB1,804,000 (2022: 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% (2022: 1%) of the annual sales of beer and mineral water products made by Yanjing Brewery and at a rate of RMB0.008 (2022: 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 2023, 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 3 years (2022: 28 months to 3 years) at rentals ranging from RMB10,000 to RMB6,333,000 (2022: RMB10,000 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.

46. 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 28 August 2023 (the "Effective Date"), a financial services agreement (the "Financial Services Agreement") was approved at an extraordinary general meeting, pursuant to which, BE Group Finance shall provide financial services to the Group, including deposit services and loan services for three years from the Effective Date. The cumulative daily outstanding deposits balance placed by the Group with BE Group Finance (including any interest accrued thereon) during the term of the Financial Services Agreement will not exceed RMB8.70 billion (2022: HK$2.23 billion (equivalent to approximately RMB1.92 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)(i) 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, 30, 34(b)(i) 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.

46. RELATED PARTY DISCLOSURES *(Continued)*

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

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "Other SOEs"). During the year, the Group 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.

(d) Compensation of key management personnel of the Group

	2023 RMB'000	2022 *RMB'000* (Restated)
Short term employee benefits	**12,760**	11,423
Pension scheme contributions	**26**	25
Total compensation paid to key management personnel	**12,786**	11,448

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

47. FINANCIAL INSTRUMENTS BY CATEGORY

Save certain equity investments being designated as equity investments at fair value through other comprehensive income or at fair value through profit or loss, as further detailed in notes 23 and 27(c) to the financial statements, respectively, all financial assets and financial liabilities of the Group as at 31 December 2023 and 2022 were classified as financial assets and financial liabilities at amortised cost.

48. 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 the listed equity investments (notes 23 and 27(c)) stated at fair value based on their quoted market prices (as categorised within Level 1 of the fair value hierarchy).

The fair value and the basis of fair value measurement of the Group's guaranteed bonds and notes as at 31 December 2023 and 2022 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.

49. 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, joint ventures and a non-controlling equity holder of a subsidiary.

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.

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

Interest rate risk *(Continued)*

The following tables set out the carrying amounts 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	
	2023 *RMB'000*	2022 *RMB'000* (Restated)	2023 *%*	2022 *%*
Floating rate:				
Restricted cash and pledged deposits	**18,346**	151,307	**0.35**	0.35
Cash and cash equivalents	**15,077,492**	20,167,481	**0.35**	0.35
Bank and other borrowings (other than lease liabilities)	**16,177,406**	44,031,415	**4.39**	4.56
Fixed rate:				
Cash and cash equivalents	**13,780,869**	7,418,109	**1.10**	1.10
Bank and other borrowings (other than lease liabilities)	**40,400,381**	5,152,604	**2.98**	3.27
Guaranteed bonds and notes	**19,667,812**	18,804,716	**2.51**	2.53

At 31 December 2023, it was estimated that a general decrease/increase of 100 basis points in the interest rate of average balances of bank and other borrowings and bank balances during the year, with all other variables held constant, would increase/decrease the Group's profit before tax by approximately RMB40 million (2022: RMB66 million (restated)).

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 2022.

49. 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 Germany, the Group's financial position can be affected significantly by movements in the EUR/RMB exchange rates.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the EUR/RMB 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	
	2023 *RMB'000*	2022 *RMB'000* (Restated)	**2023** *RMB'000*	2022 *RMB'000* (Restated)
If RMB weakens against EUR by 5%	**45,449**	48,722	**442,027**	296,584
If RMB strengthens against EUR by 5%	**(45,449)**	(48,722)	**(442,027)**	(296,584)

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.

49. 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 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	4,686,442	4,686,442
Financial assets included in prepayments, other receivables and other assets					
– Normal**	9,624,331	–	–	1,126,959	10,751,290
Operating concessions (contract assets)					
– Normal	–	–	–	3,734,918	3,734,918
Receivables under service concession arrangements					
– Normal	2,104,202	–	–	1,540,131	3,644,333
Receivable under a finance lease					
– Normal	–	–	–	347,814	347,814
Restricted cash and pledged deposits					
– Not yet past due	18,346	–	–	–	18,346
Cash and cash equivalents					
– Not yet past due	28,858,361	–	–	–	28,858,361
	40,605,240	–	–	11,436,264	52,041,504

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

Credit risk *(Continued)*

Maximum exposure and year-end staging (Continued)

At 31 December 2022 (restated)

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	5,206,373	5,206,373
Financial assets included in prepayments, other receivables and other assets					
– Normal**	8,103,456	–	–	895,183	8,998,639
Operating concessions (contract assets)					
– Normal	–	–	–	3,634,399	3,634,399
Receivables under service concession arrangements					
– Normal	1,906,447	–	–	1,174,587	3,081,034
Receivable under a finance lease					
– Normal	–	–	–	463,531	463,531
Restricted cash and pledged deposits					
– Not yet past due	151,307	–	–	–	151,307
Cash and cash equivalents					
– Not yet past due	27,585,590	–	–	–	27,585,590
	37,746,800	–	–	11,374,073	49,120,873

* *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".*

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

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.

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Bank loans	**42,857,375**	43,968,955
Other loans	**13,720,412**	5,330,990
Guaranteed bonds and notes	**19,667,812**	18,804,716
Lease liabilities	**629,825**	744,288
	76,875,424	68,848,949
Analysed into:		
Bank loans repayable:		
Within one year	**33,736,704**	20,450,005
In the second year	**546,767**	794,435
In the third to fifth years, inclusive	**4,169,842**	19,205,340
Beyond five years	**4,404,062**	3,519,175
	42,857,375	43,968,955
Other borrowings repayable:		
Within one year	**847,275**	1,528,586
In the second year	**9,362,871**	759,480
In the third to fifth years, inclusive	**15,544,115**	13,633,338
Beyond five years	**8,263,788**	8,958,590
	34,018,049	24,879,994
	76,875,424	68,848,949

49. 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 2023

	On demand or within one year *RMB'000*	In the second year *RMB'000*	In the third to fifth years, inclusive *RMB'000*	Beyond five years *RMB'000*	Total *RMB'000*
Trade and bills payables	4,774,703	–	–	–	4,774,703
Accruals and other liabilities	9,760,174	664,959	–	–	10,425,133
Due to holding companies, fellow subsidiaries, joint ventures, associates and a non-controlling equity holder of a subsidiary	1,867,368	–	–	–	1,867,368
Bank and other borrowings (excluding lease liabilities)	35,765,120	1,791,397	14,231,892	8,247,128	60,035,537
Guaranteed bonds and notes	485,267	10,012,673	6,871,025	7,986,415	25,355,380
Lease liabilities	187,382	169,336	99,615	303,586	759,919
	52,840,014	12,638,365	21,202,532	16,537,129	103,218,040

At 31 December 2022 (restated)

	On demand or within one year *RMB'000*	In the second year *RMB'000*	In the third to fifth years, inclusive *RMB'000*	Beyond five years *RMB'000*	Total *RMB'000*
Trade and bills payables	4,883,339	–	–	–	4,883,339
Accruals and other liabilities	9,528,646	365,412	–	–	9,894,058
Due to holding companies, fellow subsidiaries, associates and a non-controlling-equity holder of a subsidiary	3,150,985	–	–	–	3,150,985
Bank and other borrowings (excluding lease liabilities)	22,348,408	1,514,814	26,356,920	5,292,347	55,512,489
Guaranteed bonds and notes	472,211	3,627,555	13,094,322	7,731,831	24,925,919
Lease liabilities	323,398	116,242	86,852	390,581	917,073
	40,706,987	5,624,023	39,538,094	13,414,759	99,283,863

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

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	
	2023	2022	2023	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)		(Restated)
If fair values increased by 5%	4	6	68,318	78,460
If fair values decreased by 5%	(4)	(6)	(68,318)	(78,460)

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 2023 and 2022.

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.

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

Capital management *(Continued)*

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:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Bank and other borrowings	**56,577,787**	49,299,945
Guaranteed bonds and notes	**19,667,812**	18,804,716
Less: Cash and bank balances	**(28,858,361)**	(27,585,590)
Net borrowing	**47,387,238**	40,519,071
Total equity	**93,049,365**	90,674,053
Gearing ratio	**50.9%**	44.7%

50. EVENT AFTER THE REPORTING PERIOD

On 15 January 2024, the Company issued Ultra Short-term Commercial Papers (the "2024 SCP Series 1") in a total principal amount of RMB2 billion for a term of 270 days with a coupon rate of 2.47% per annum. The proceeds from the 2024 SCP Series 1 are intended to be used for the repayment of the Company's existing bank loans.

51. COMPARATIVE AMOUNTS

As further detailed in note 2.2 to the financial statements, the Group changed the presentation currency of the consolidated financial statements from HK$ to RMB and the effects of which have been accounted for retrospectively with comparative figures restated as if RMB had always been the presentation currency of the consolidated financial statements.

In addition, certain comparative amounts have been reclassified and re-presented to conform to the current year's presentation.

52. 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:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
ASSETS		
Non-current assets:		
Property, plant and equipment	**170**	393
Investment properties	**51,274**	50,084
Right-of-use assets	**27,562**	38,953
Investments in subsidiaries	**73,155,178**	79,509,478
Investments in associates	**108,721**	106,829
Equity investments at fair value through other comprehensive income	**1,367,632**	1,659,772
Total non-current assets	**74,710,537**	81,365,509
Current assets:		
Prepayments, other receivables and other assets	**323,283**	91,431
Cash and cash equivalents	**46,059**	258,666
Total current assets	**369,342**	350,097
TOTAL ASSETS	**75,079,879**	81,715,606

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2023 *RMB'000*	2022 *RMB'000* (Restated)
EQUITY AND LIABILITIES		
Equity:		
Share capital	**28,340,052**	28,340,052
Reserves *(note)*	**(1,761,398)**	(777,974)
TOTAL EQUITY	**26,578,654**	27,562,078
Non-current liabilities:		
Bank and other borrowings	**11,199,001**	17,699,930
Lease liabilities	**15,904**	27,654
Total non-current liabilities	**11,214,905**	17,727,584
Current liabilities:		
Other payables and accruals	**292,130**	1,333,508
Due to subsidiaries	**29,951,999**	20,218,532
Income tax payable	**76,912**	75,127
Bank and other borrowings	**6,952,871**	14,787,029
Lease liabilities	**12,408**	11,748
Total current liabilities	**37,286,320**	36,425,944
TOTAL LIABILITIES	**48,501,225**	54,153,528
TOTAL EQUITY AND LIABILITIES	**75,079,879**	81,715,606

Yang Zhichang
Director

Tam Chun Fai
Director

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Capital reserve	Investment revaluation reserve	Property revaluation reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022 (restated)	11,515	990,172	15,668	(3,446,604)	890,378	(1,538,871)
Profit for the year (restated)	–	–	–	–	1,773,503	1,773,503
Other comprehensive loss for the year:						
Changes in fair value of equity investments at fair value through other comprehensive income (restated)	–	(1,438,274)	–	–	–	(1,438,274)
Exchange differences on translation of the Company's financial statements (restated)	–	–	–	1,897,396	–	1,897,396
Total comprehensive income/(loss) for the year (restated)	–	(1,438,274)	–	1,897,396	1,773,503	2,232,625
Final 2021 dividend (restated)	–	–	–	–	(890,378)	(890,378)
Interim 2022 dividend (restated)	–	–	–	–	(542,339)	(542,339)
Repurchase of shares (restated)	–	–	–	–	(39,011)	(39,011)
At 31 December 2022 and 1 January 2023 (restated)	**11,515**	**(448,102)**	**15,668**	**(1,549,208)**	**1,192,153**	**(777,974)**
Profit for the year	**–**	**–**	**–**	**–**	**1,829,325**	**1,829,325**
Other comprehensive loss for the year:						
Changes in fair value of equity investments at fair value through other comprehensive income	**–**	**(346,962)**	**–**	**–**	**–**	**(346,962)**
Exchange differences on translation of the Company's financial statements	**–**	**–**	**–**	**(217,788)**	**–**	**(217,788)**
Total comprehensive income/(loss) for the year	**–**	**(346,962)**	**–**	**(217,788)**	**1,829,325**	**1,264,575**
Final 2022 dividend	**–**	**–**	**–**	**–**	**(1,192,153)**	**(1,192,153)**
Interim 2023 dividend	**–**	**–**	**–**	**–**	**(1,055,846)**	**(1,055,846)**
Transfer of investment revaluation reserve upon the disposal of equity investments at fair value through other comprehensive income	**–**	**12,133**	**–**	**–**	**(12,133)**	**–**
At 31 December 2023	**11,515**	**(782,931)**	**15,668**	**(1,766,996)**	**761,346**	**(1,761,398)**

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2024.

FIVE YEAR FINANCIAL SUMMARY

31 December 2023

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted and restated from the published audited financial statements and the annual report of the Company for the year ended 31 December 2023, is set out below:

RESULTS

	Year ended 31 December				
	2019 *RMB'000* (Restated)	2020 *RMB'000* (Restated)	2021 *RMB'000* (Restated)	2022 *RMB'000* (Restated)	**2023** ***RMB'000***
Revenue	59,649,065	60,882,624	66,833,126	79,375,036	**82,313,331**
Operating profit	2,274,580	1,493,681	4,424,918	2,969,629	**1,960,305**
Share of profits and losses of:					
Joint ventures	25,353	14,743	(8,367)	25,627	**(25,121)**
Associates	6,144,528	4,412,975	5,239,410	5,051,952	**5,331,994**
Profit before tax	8,444,461	5,921,399	9,655,961	8,047,208	**7,267,178**
Income tax	(899,685)	(896,047)	(925,496)	(940,150)	**(865,887)**
Profit for the year	7,544,776	5,025,352	8,730,465	7,107,058	**6,401,291**
ATTRIBUTABLE TO:					
Shareholders of the Company	7,088,206	4,705,330	8,232,472	6,512,480	**5,498,290**
Non-controlling interests	456,570	320,022	497,993	594,578	**903,001**
	7,544,776	5,025,352	8,730,465	7,107,058	**6,401,291**

FIVE YEAR FINANCIAL SUMMARY

31 December 2023

ASSETS, LIABILITIES AND TOTAL EQUITY

	Year ended 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	(Restated)	(Restated)	(Restated)	(Restated)	
Total assets	165,367,586	172,035,714	182,714,082	194,542,803	**204,454,706**
Total liabilities	(87,924,390)	(90,198,108)	(93,279,168)	(103,868,750)	**(111,405,341)**
NET ASSETS	77,443,196	81,837,606	89,434,914	90,674,053	**93,049,365**
Equity attributable to shareholders of the Company	67,000,659	71,313,569	78,701,722	79,129,569	**80,997,724**
Non-controlling interests	10,442,537	10,524,037	10,733,192	11,544,484	**12,051,641**
TOTAL EQUITY	77,443,196	81,837,606	89,434,914	90,674,053	**93,049,365**

Note: For presentation purpose, the consolidated results, assets, liabilities and total equity information for the prior financial years were restated following the change in presentation currency of the Group's financial statements from HK$ to RMB during the year ended 31 December 2023.

GLOSSARY

In this Report (except for the Independent Auditor's Report and the Financial Statements), the following expressions have the following meanings:

"2024 AGM"	:	forthcoming annual general meeting of the Company to be held on 6 June 2024
"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 established 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 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* (北京市燃氣集團有限責任公司)
"BEIL"	:	Beijing Enterprises Investments Limited

GLOSSARY

"BHL"	:	Beijing Holdings Limited
"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(s)"	:	executive director(s) of the Company
"Group"	:	the Company and its subsidiaries from time to time
"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 C3 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 2023 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 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 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