



北控清潔能源集團有限公司
Beijing Enterprises Clean Energy Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 01250

Annual Report
2021

Contents

Corporate Information	2
Corporate Structure	3
Chairman's Statement	4
Management Discussion and Analysis	10
Directors and Senior Management	39
Corporate Governance Report	43
Report of the Directors	58
Independent Auditor's Report	79
Consolidated Statement of Profit or Loss	84
Consolidated Statement of Comprehensive Income	85
Consolidated Statement of Financial Position	86
Consolidated Statement of Changes in Equity	88
Consolidated Statement of Cash Flows	90
Notes to Financial Statements	93
Five-Year Financial Summary	196

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Tiefu (*Joint Chairman*) (appointed as Executive Director on 21 May 2021 and as Joint Chairman on 29 July 2021)
Mr. Hu Xiaoyong (*Joint Chairman*) (appointed as Joint Chairman on 29 July 2021)
Mr. Yang Guang (*Chief Executive Officer*) (appointed as Executive Director and Chief Executive Officer on 21 May 2021)
Mr. Shi Xiaobei (*resigned as Chief Executive Officer on 21 May 2021*)
Mr. Tan Zaixing
Ms. Huang Danxia

Independent Non-executive Directors

Mr. Li Fujun
Mr. Xu Honghua
Mr. Chiu Kung Chik

AUDIT COMMITTEE

Mr. Li Fujun (*Chairman*)
Mr. Xu Honghua
Mr. Chiu Kung Chik

NOMINATION COMMITTEE

Mr. Zhang Tiefu (*Chairman*) (appointed as Chairman and member of Nomination Committee on 29 July 2021)
Mr. Li Fujun
Mr. Xu Honghua
Mr. Hu Xiaoyong (*ceased as Chairman and member of Nomination Committee on 29 July 2021*)

REMUNERATION COMMITTEE

Mr. Chiu Kung Chik (*Chairman*)
Mr. Hu Xiaoyong (*appointed as member of Remuneration Committee on 29 July 2021*)
Mr. Xu Honghua
Mr. Shi Xiaobei (*ceased as member of Remuneration Committee on 29 July 2021*)

COMPANY SECRETARY

Mr. Cheung Chin Wa (*appointed as Company Secretary on 21 May 2021*)
Ms. So Hiu Wa (*resigned as Company Secretary on 21 May 2021*)

STOCK CODE

1250

WEBSITE

www.bece.com.hk

INVESTOR RELATIONS CONTACT

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REGISTERED OFFICE

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P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 6706-07
67th Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East Wanchai
Hong Kong

AUDITOR

Ernst & Young
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

In Hong Kong:
China Construction Bank (Asia) Corporation Limited
China Everbright Bank Co., Ltd., Hong Kong Branch
CMB Wing Lung Bank Limited
CIMB Bank Berhad, Hong Kong Branch
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank Limited

In Mainland China:
Agricultural Bank of China Limited
Bank of China Limited
China CITIC Bank Corporation Ltd.
China Construction Bank Corporation
China Development Bank
China Guangfa Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Industrial Bank Co., Ltd.
Ping An Bank Co., Ltd.
Postal Savings Bank of China Co., Ltd.
The Export-Import Bank of China



Listed on the main board of The Stock Exchange of Hong Kong Limited.

* Only projects held by the Group's subsidiaries and in operation with capacity of 50MW or above are disclosed.

Note: The above group structure only lists out major projects held by the Group's subsidiaries and in operation.

Chairman's Statement

Dear Shareholders,

In 2021, amid the challenges of complicated and severe international environment and pandemic resurgence, the country witnessed sustainable economic recovery and development, further advanced the reform and opening up, effectively ensured the people's livelihood, made a new step forward in the construction of new development pattern, achieved new progress in the high-quality development and recorded a good start of the "14th Five-Year Plan" under the strong leadership of the CPC Central Committee with the General Secretary Xi Jinping at its core, which were achieved through adhering to the general principle of pursuing progress while ensuring stability and striking a balance between scientific epidemic prevention and control and economic and social development. GDP of the year reached RMB114.367 trillion, representing a year-on-year growth of 8.1% and two-year average growth of 5.1% and firmly ranking the second in the world.

According to the statistics from the China Electricity Council, as of the end of 2021, China's consolidated installed capacity of power generation amounted to approximately 2.38 billion kilowatts ("kW"), representing a year-on-year increase of 7.9%. The installed capacity of wind power was approximately 330 million kW, representing a year-on-year increase of 16.6%, including installed capacity of onshore wind power of approximately 300 million kW and installed capacity of offshore wind power of approximately 26.39 million kW. The installed capacity of photovoltaic power reached approximately 310 million kW, representing a year-on-year increase of 20.9%, with the installed capacity of centralised photovoltaic power being approximately 200 million kW, the installed capacity of distributed photovoltaic power being approximately 110 million kW and the installed capacity of photo-thermal power being approximately 570,000 kW. The consolidated installed capacity of non-fossil energy was approximately 1.12 billion kW, representing a year-on-year increase of 13.4% and accounting for 47.0% of the total installed capacity, which indicated year-on-year improvement of 2.3 percentage points and a proportion higher than that of coal-fired power for the first time. In power consumption, the consolidated on-grid photovoltaic power and wind power generation witnessed year-on-year increase of 25.2% and 40.5%, respectively. The consolidated non-fossil energy power generation reached approximately 2.90 trillion kilowatt hours ("kWh"), representing a year-on-year increase of 12.0% and accounting for 34.6% of the consolidated total power generation, which indicated year-on-year improvement of 0.7 percentage points.

In April 2021, the National Energy Administration (“NEA”) released the “Notice on the Submission of 14th Five-Year Work Plan for the Integration of Power Source, Grid, Load and Energy Storage and the Multi-Energy Complementary Development*” (《關於報送「十四五」電力源網荷儲一體化和多能互補工作方案的通告》), which provided guidelines for promoting the integration of power source, grid, load and energy storage and the multi-energy complementary development in alignment with the goals of “Carbon Dioxide Emissions Peak and Carbon Neutrality”. The focus will be on the projects of multi-energy complementary with new energy power consumption capacity exceeding 2 billion kWh annually and the projects of integration of power source, grid, load and energy storage with new energy power consumption capacity exceeding 200 million kWh annually and the proportion of new energy power consumption to the total power consumption of that exceeding 50%. In September 2021, the National Development and Reform Commission (“NDRC”) released the “Notice on the Plan for Improving the Dual Control System for Intensity and Annual Total of Energy Consumption*” (《完善能源消費強度和總量雙控制度方案》的通告). The document encouraged local entities to increase the renewable energy consumption and decrease total energy consumption, adding that renewable energy power consumption beyond the minimum weight of renewable energy power consumption responsibility will not be included in the review of total energy consumption of the region for the year and the five-year plan period. The Standing Committee of the State Council stated in a meeting in October 2021 that the dual control mechanism for local energy consumption will be improved and works will be promoted to ensure additional renewable energy consumption will not be included in the total energy consumption within a certain period. In December 2021, the Central Economic Work Conference stressed again that governments should properly understand “Carbon Dioxide Emissions Peak and Carbon Neutrality” and seize the opportunities arising therefrom, conduct scientific reviews and should not include additional energy consumption of renewable energy and its raw material into the control of total energy consumption. This new policy that “additional renewable energy consumption should not be included in the control of total energy consumption” will encourage high energy-consuming enterprises to meet their power demands through renewable energy consumption, and will create a favourable policy environment for the development of new energy industry. In September 2021, the NEA released the “Notice on the List of Pilot Programmes for Developing Rooftop Distributed Photovoltaic Power in Counties (Cities and Districts)*” (《整縣(市、區)屋頂分佈式光伏開發試點名單的通告》) (the “Notice”). According to the Notice, 676 counties (cities and districts) across the country were listed as pilot programmes for developing rooftop distributed photovoltaic power, accounting for 24% of the country’s administrative regions. These pilot programmes were mainly located in provinces in Southeastern China with better development of distributed photovoltaic power. By 2023, the proportions of public institutions, industrial and commercial plants and rural houses with rooftop photovoltaic power generation will be 50%, 40%, 30% and 20%, respectively, and the experience of demonstration counties of the programmes for developing rooftop distributed photovoltaic power in counties (cities and districts) will be promoted to the whole country. The NEA announced the “Notice on the Work for Promoting the Maximum Grid Connection and the Greater and Full-capacity Power Generation of Qualified New Energy Power Projects*” (《關於積極推動新能源發電項目能併盡併、多發滿發有關工作的通告》) in October 2021. For the grid connection, the document required that power grid companies should adopt practical and effective measures to ensure the timely grid connection of wind power projects and photovoltaic power projects that meet the grid connection conditions by following the principle of “maximum grid connection of qualified power projects”. For the power supply, the document required that power grid companies should follow the principle of “greater and full-capacity power generation”, strictly implement the system of prioritised dispatch of new energy power and achieve greater and full-capacity power generation of new energy power projects, so as to improve the power supply capacity.

Chairman's Statement

In January 2021, the PRC launched the Green Electricity Certificate trading under the quota system, and the non-hydro renewable energy power generation certificate issued to power generation enterprises can be traded through one-way listing or transfer agreements. In July 2021, the opening ceremonies of the carbon emission rights trading market were held in Beijing, Shanghai and Wuhan at the same time. Carbon trading is first implemented in the power generation industry and will gradually expand its coverage in the future. The implementation of Green Electricity Certificate trading and carbon trading has brought huge benefits to new energy power generation. At the same time, with the clarification of those procedures and parameter calculations for the settlement of the renewable energy tariff subsidy, the issue of tariff subsidy receivables delay from the existing projects will be effectively further resolved, which will enable enterprises to accelerate cash payback and improve cash flow.

Beijing Enterprises Clean Energy Group Limited (the "Company", together with its subsidiaries, the "Group") fully leverages on the advantageous resources and experienced management team of its sole and largest shareholder, Beijing Enterprises Water Group Limited (a company listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 00371)). Under the strategic leadership of the board (the "Board") of directors (the "Directors") of the Company, the Group actively follows the national policy and situation, accurately grasps the development direction of clean energy, steadily expands photovoltaic power businesses, wind power businesses and clean heat supply businesses and proactively explores other clean energy areas such as hydropower, energy storage, distribution and sales of electricity and hydrogen production, in an effort to become a clean energy enterprise with leading position and differentiated competitiveness in the industry.

PERFORMANCE

In 2021, the Group continued to focus on the business development of sales of electricity which had higher gross profit margin and stronger sustainability, actively expanded the entrusted power operation and maintenance service and other electricity-related professional services, remained committed to building an operating brand, completed the asset optimisation strategy, steadily pushed forward with efforts in revenue increase and expenditure cutting, and constantly improved the risk prevention and control system. As of 31 December 2021, the Group recorded revenue of approximately HK\$6,023.4 million, representing an increase of approximately 8% as compared with the corresponding period of last year. The Group's total gross profit for the year ended 31 December 2021 (the "Year") was comparable to the corresponding period of last year. Loss for the year of the Group was approximately HK\$288.8 million, representing a decrease of approximately 133% as compared with the corresponding period of last year. In 2021, loss attributable to the equity holders of the Company was approximately HK\$321.3 million, representing a decrease of approximately 142% as compared with the corresponding period of last year. The decrease is mainly due to the following reasons: (i) the recognition of the impairments for the Group's property, plant and equipment, operating concessions and prepayments, deposits and other receivables, such impairments are only one-off and non-cash items during the Year; and (ii) the increase of interest on options granted to non-controlling interests recognised during the Year resulting in the increase in finance cost and deemed as one-off nature as the Group has previously obtained several rounds of capital contributions from certain strategic investors.

BUSINESS REVIEW

Since the beginning of this year, the prices of photovoltaic modules and other raw materials have continued to rise, which exposed projects to much greater cost pressure. The policies for new energy project application in various provinces have also been delayed as compared to the previous years. While properly managing the existing capacity, the Group scientifically adjusted the pace of bidding and project construction and closely monitored the project application progress in order to actively respond to market changes. The aggregate operating power generation (as hereinafter defined) of the projects held and/or managed by the Group, its associates and joint ventures for 2021 was approximately 5.788 billion kWh, representing an increase of approximately 19.5% compared with the corresponding period of last year.

In respect of the centralised photovoltaic power businesses, as of 31 December 2021, the aggregate on-grid installed capacity of the centralised photovoltaic power plants held by the Group reached approximately 2,252 megawatt ("MW"), mainly situated in the east and central regions of the People's Republic of China (the "PRC" or "China"), mainly in Anhui Province, Shandong Province, Hebei Province, Henan Province and other provinces which are classified as photovoltaic resource areas II and III as promulgated by the NDRC. In respect of the distributed photovoltaic power businesses, as of 31 December 2021, the total installed capacity of the distributed photovoltaic power plants held and/or managed by the Group and in operation reached approximately 700MW, mainly located in photovoltaic resource area III as promulgated by the NDRC. In 2021, the photovoltaic power generation of the Group on a consolidated basis amounted to approximately 3.353 billion kWh, representing a year-on-year increase of 6.8%. The weighted average utilisation hours of centralised photovoltaic power plants held by the Group and in operation during the year reached 1,259 hours, which was higher than the national photovoltaic power average utilisation hours of 1,163 hours.

In respect of the wind power businesses, as of 31 December 2021, the Group achieved an aggregate capacity of the on-grid, under-construction and approved-to-construct wind power projects reaching over 1,400MW by ways of self-development, joint development and acquisitions. The projects were mainly located in Hebei Province, Henan Province and Shandong Province, mainly situated in wind resource area IV as promulgated by the NDRC. As of 31 December 2021, the aggregate installed capacity of on-grid wind power plants held by the Group was approximately 588MW, located in Henan Province, Shandong Province, the Inner Mongolia Autonomous Region, Hebei Province and Shanxi Province. In 2021, the wind power generation of the Group on a consolidated basis amounted to approximately 1.421 billion kWh, representing a year-on-year increase of approximately 118.6%. The weighted average utilisation hours of the wind power plants which were held by the Group and commenced operation during the year reached 2,902 hours, which was higher than the national wind power average utilisation hours of 2,246 hours.

In respect of the clean heat supply businesses, as of 31 December 2021, the Group's actual clean heat supply area in operation reached approximately 49.67 million square meters, representing a year-on-year increase of approximately 70.4%. The number of clean heat supply service users was approximately 310,478 households, representing a year-on-year increase of approximately 36.1%, and the projects were located in Henan Province, Jiangsu Province, Shanxi Province, Shaanxi Province, Liaoning Province, the Ningxia Hui Autonomous Region and other provinces and autonomous regions.

In June 2021, the NDRC issued the "Notice on Matters Relating to the New Energy On-grid Tariff Policy in 2021*" (《關於2021年新能源上網電價政策有關事項的通知》), which explicitly stated that "starting from 2021, for newly filed centralised photovoltaic power plants, industrial and commercial distributed photovoltaic projects and newly approved onshore wind power projects, the central government will no longer provide subsidies and implement grid parity". A new energy grid parity era of the PRC has arrived, and the value of green power including photovoltaic power and wind power will be reflected in a better way. During the year, the Group continued to promote the development of wind power and photovoltaic power grid parity projects, and the first grid parity project of the Group has officially commenced construction. As of 31 December 2021, the Group achieved aggregate scale of over 500MW in on-grid, under-construction and approved-to-construct grid parity projects through self-development, joint development and acquisitions. Meanwhile, the Group entered into strategic cooperation agreements with certain local governments and well-known enterprises to deepen cooperation and exchange with each other, seeking development in the clean energy field, facilitating the national strategy of "Carbon Dioxide Emissions Peak and Carbon Neutrality", and achieving high-quality development for both parties.

Chairman's Statement

CORPORATE MANAGEMENT AND CONTROL AND SUSTAINABLE DEVELOPMENT

The Group continued to improve the management and control system, standardise internal management and stimulate organisational vitality. The Group strengthened the construction of cost and quota database, established a standard list of construction quantity and equipment and material price database, enhanced the improvement of design and equipment technological standards; streamlined the procurement process and shortened the approval time; carried out the pilot project of hierarchical authorisation and independent procurement of operation and maintenance services, and further improved the efficiency of small and sporadic procurements. The Group adjusted and improved the meeting processes and rules of procedure, updated the projects' review and approval standards and negative list, formulated and improved the project application template, improved the investment decision-making efficiency, reduced costs and improved the overall operation efficiency. It designated finance BP of development and engineering, who will provide professional financial services based on business requirements to support middle and front office businesses; strengthened multi-dimensional trainings for employees, adopted the combination of "job rotation and concurrent post", and implemented "customised" cultivation programmes to maintain a vibrant talent team of endogenous growth and to further consolidate the team construction and the core talent pool; allocated HRBP to each department, deeply understood the need of talents for the business and strengthened the introduction of talents, to support the business development.

The Group has always placed safety management as the top priority. The Production Safety Committee of the Group (the "Safety Committee") carried out safety, quality and environmental supervision and inspection for the Group's projects on the project sites from time to time. The Safety Committee also regularly organised cultural building activities such as "Environmental Management Promotion Month", "Occupational Disease Prevention Law Promotion Week" and "Production Safety Month"; carried out the three-level safety education and training for all employees in 2021 and the training of the newly announced "Production Safety Law of the People's Republic of China" (《中華人民共和國安全生產法》) in 2021, and established the regular supervision and management mechanism that reviews each unit's fulfilment of safety responsibility, so as to enhance the safety awareness of all employees. The Group participated in the compilation of "Standards for the Implementation of Production Safety Standardisation of Power Construction Enterprises" (《電力建設施工企業安全生產標準化實施規範》) by the NEA and hosted the fourth draft review meeting, building up the Group's influence in the power construction industry.

FUTURE OUTLOOK

Facing the development opportunities brought by the "double carbon" ("Carbon Dioxide Emissions Peak and Carbon Neutrality") targets, the Group always keeps in mind the original aspiration of "promoting the revolution in energy production and consumption, building a clean, low-carbon, safe and efficient energy system", closely follows the "14th Five-Year" development plan of the industry, takes account of the development of each business, persistently promotes the clean energy development with photovoltaic power, wind power and smart energy management service as the business core, and stays committed to becoming an integrated operator and provider of efficient, green, low-carbon and smart energy solutions with cutting-edge technologies, cost advantage, high-quality assets and solid operation in China.

Going forward in 2022, for investment and development, the Group will closely monitor policy changes, review and adjust the business strategy in a timely manner, strengthen efforts in market development and acquire high-quality resources with differentiated competitiveness by employing all available means. For project construction, the Group will continue to develop the internal strength and further improve the standardisation, streamlining and informatisation of project construction management to improve the quality of project construction. In production and operation, the Group will persist in enhancing quality internally and building brand image externally, apply delicacy management to improve power generation and reduce energy consumption of heat supply, and build the livelihood brand and the entrusted power operation and maintenance service brand. In risk management and control, the Group will establish a specialised risk system, set the bottom line, strengthen employees' risk awareness, build the scientific decision-making mechanism and the standard operation mechanism, and allow the frontline to control risks with independent initiative. In safety management, the Group will further consolidate the foundation to achieve another progress in building the enterprise of inherent safety. In technology management, the Group will continue to improve the technical standard system, strengthen the technological innovation capability, application capability and service capacity, promote the technology-driven market development, advance projects with the "resource + technology" pattern that coordinates technology with investment and development. In the back-end support, the Group will enhance the materials management and reduce impairment and additional stock loss, and will benchmark against market prices and update the cost standard system in a timely manner to develop the cost advantage. It will establish the "management + professionalism" dual career development channel, launch the programmes of key position successor and reserve talent selection, and improve the remuneration review system, therefore strengthening the competitiveness in the industry. The Group will promote the high-quality development of the clean energy in the new era with firm belief and solid actions, and facilitate the country to achieve the goals of "Carbon Dioxide Emissions Peak and Carbon Neutrality" in all aspects.

In closing, on behalf of the Board, we would like to express our sincere gratitude to the shareholders, customers and business partners rendering trust and great support to the Group, and our heartfelt thanks to all the employees for their arduous work.

Zhang Tiefu and Hu Xiaoyong

JOINT CHAIRMEN

Hong Kong, 29 March 2022

** For identification purposes only*

Management Discussion and Analysis

31 December 2021

1. BUSINESS REVIEW

During the year ended 31 December 2021 (the “Year”), the Group was principally engaged in the investment, development, construction, operation and management of Photovoltaic Power Business, Wind Power Business and Clean Heat Supply Business in the People’s Republic of China (the “PRC”).

Financial highlights:

	2021	2020	Change
	HK\$’000	HK\$’000	%
		(Restated)	
Revenue	6,023,419	5,551,791	8
Gross profit	2,576,523	2,662,864	(3)
Gross profit ratio (%)	42.8	48.0	(5.2)
(Loss)/profit for the Year	(288,834)	886,440	(133)
(Loss)/profit attributable to the equity holders of the Company	(321,312)	763,694	(142)
Basic (loss)/earnings per share (in HK cent(s))	(0.62)	1.08	(157)
EBITDA	2,941,853	3,523,450	(17)
Total assets	54,874,237	57,127,247	(4)
Total equity	12,082,054	13,124,890	(8)
Cash and cash equivalents	1,140,832	2,521,536	(55)

The coronavirus disease 2019 (COVID-19) pandemic continued to affect the global economies during the Year. Under the strong leadership of the CPC Central Committee with General Secretary Xi Jinping at its core, major strategic results have been achieved in the prevention and control of the pandemic, and thus China was not severely affected by the COVID-19 pandemic. While taking the pandemic prevention and control as part of new normal, more industry-related favourable policies continued to be introduced in China to accelerate the clean and efficient use of fossil energy, and vigorously promoted non-fossil energy to continuously increase the proportion of clean energy consumption and to promote the transformation of environmentally friendly and low-carbon production of energy.

The impact from the pandemic for the industries of the Group are relatively minor compared to other industries. As a clean energy project owner and operator, the Group was not affected by the economic adversity caused by the pandemic. The revenue contribution from the sale of electricity and entrusted operations businesses increased steadily. For the Year, the power generation of the Group on a consolidated basis amounted to approximately 4.8 million megawatt-hour (“MWh”) (2020: approximately 3.8 million MWh), representing an increase of approximately 26% as compared with the corresponding period of last year. The aggregate operating power generation[#] of the projects held and/or managed by the Group, the associates and the joint ventures of the Group for 2021 was approximately 5.8 million MWh (2020: approximately 4.8 million MWh), representing an increase of approximately 19.5% as compared with the corresponding period of last year.

[#] The operating power generation included (i) the power generation of the projects held by the Group, the associates and the joint ventures of the Group; and (ii) the power generation of the projects managed by the Group through the provision of entrusted management services.

1. BUSINESS REVIEW (CONTINUED)

The Group's revenue and business structure have been successfully optimised by focusing on the power generation business with stronger sustainability, driving quality and efficiency enhancement of its existing projects, implementing cost control and efficiency enhancement by achieving further optimisation of its business mix in an active move to advance business structure with an objective to improve the Group's overall performance.

Loss for the Year of the Group was approximately HK\$288.8 million (2020: profit of approximately HK\$886.4 million). Loss attributable to the equity holders of the Company for the Year was approximately HK\$321.3 million (2020: profit attributable to the equity holders of the Company of approximately HK\$763.7 million (restated)). The decrease is mainly due to the following reasons: (i) the recognition of the impairments for the Group's property, plant and equipment, operating concessions and prepayments, deposits and other receivables, such impairments are only one-off and non-cash items during the Year; and (ii) the increase of interest on options granted to non-controlling interests recognised during the Year resulting in the increase in finance cost and deemed as one-off nature as the Group has previously obtained several rounds of capital contributions from certain strategic investors.

Excluding (i) the impairments for the Group's property, plant and equipment, operating concessions and financial assets and contract assets, net, which are one-off and non-cash items; and (ii) the recognition of the interest on options granted to non-controlling interests during the Year, which is one-off item, of approximately HK\$1,127.9 million in aggregate (2020: approximately HK\$75.9 million), profit for the Year of the Group was approximately HK\$839.1 million, compared with that of approximately HK\$962.3 million (after excluding non-recurring items) in last year. It can be seen that the Group continues to maintain a steady development for its operating activities.

Further details of the discussion of financial performance are set out in the section headed "2. Financial Performance" in "Management Discussion and Analysis". Analysis of the business performance is set out below.

1.1 Sale of Electricity and Entrusted Operations

During the Year, the Group steadily developed its operating capacity through the investment, development, construction, operation and management of clean energy power plant projects, and the aggregate revenue in respect of the sale of electricity and the provision of entrusted management services amounted to approximately HK\$4,136.6 million (2020: approximately HK\$3,369.8 million), representing an increase of approximately 23% compared to the corresponding period of last year.

Pursuant to the "Notice on Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies*" (《關於開展可再生能源發電補貼項目清單審核有關工作的通知》) announced by the Ministry of Finance in the first half of 2020, the rules for settlement of additional subsidies for renewable energy electricity prices as well as the conditions and application procedures for entering the list of national renewable energy power generation subsidies for the renewable energy power generation projects (the "Project List") were further clarified. In addition, the "Notice on the Acceleration of Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies*" (《關於加快推進可再生能源發電補貼項目清單審核有關工作的通知》) announced by the Ministry of Finance in the second half of 2020, which emphasised acceleration of review on existing renewable energy power generation projects, and made sure that those projects should enter the Project List in batches as soon as possible.

Management Discussion and Analysis

31 December 2021

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

As at 31 December 2021, the Group has several photovoltaic and wind power plants with aggregated capacity of approximately 2,900 megawatt ("MW") (2020: approximately 1,800MW) successfully enlisted in the Project List, representing over 80% (2020: over 50%) of the Group's current on-grid capacity. The Directors expect that the remaining projects of the Group will receive the review approval and be enrolled in the Project List within 2022 and coming future. The above notices show that the government is doing its best to solve the problem of arrears in subsidies for renewable energy power generation projects, which is beneficial to the betterment of the Group's cash flow. The Group will closely monitor and implement remaining project inventory declaration and national subsidies related works and will proactively promote the implementation of relevant strategies to improve the receipt of national subsidies.

During the Year, settlements of the renewable energy subsidies of those photovoltaic power plants and wind power plants held by the Group's subsidiaries in the amount of approximately HK\$869.7 million (2020: approximately HK\$725.9 million) were received.

In May 2021, the National Energy Administration (the "NEA") issued the "Notice on Relevant Matters of the Development and Construction of Wind Power and Photovoltaic Power Generation in 2021*" (《關於2021年風電、光伏發電開發建設有關事項的通知》), which clarified that the national wind power and photovoltaic power generation as a percentage to the total electricity consumption of the society will reach approximately 11% in 2021, and will increase year by year thereafter to ensure that non-fossil energy consumption as a percentage to primary energy consumption will reach approximately 20% in 2025. Newly guaranteed on-grid capacity shall not be lower than 90 million kilowatt in 2021.

In June 2021, the National Development and Reform Commission of the PRC (the "NDRC") issued the "Notice on Matters Relating to the New Energy On-grid Tariff Policy in 2021*" (《關於2021年新能源上網電價政策有關事項的通知》), which explicitly stated that starting from 2021, for newly filed centralised photovoltaic power plants, industrial and commercial distributed photovoltaic projects and newly approved onshore wind power projects, the central government will no longer provide subsidies and implement grid parity. A new energy grid parity era of the PRC has arrived, and the value of green power including photovoltaic power generation and wind power generation will gain a better response. The Directors believe that the wind power and photovoltaic power industries have entered into a marketised stage free of reliance on tariff adjustments, and the stability and predictability of the cash flow of the wind power and photovoltaic power projects in the future will be greatly enhanced. During the Year, the construction of the first grid parity project of the Group has been officially commenced. As at 31 December 2021, the Group's aggregate capacity of the grid-connected, under-construction and approved-to-construct grid parity projects reached over 500MW. Going forward, the Group will continue to actively promote the development of photovoltaic power and wind power grid parity projects.

In May 2021, the Ministry of Ecology and Environment promulgated several administrative rules (trial) relating to the carbon emissions rights, in order to promote the official launch of the national carbon emissions trading market in July 2021. The Group seizes the opportunity to participate in carbon emissions trading market. The Group is engaged in clean energy power generation and achieves low carbon emissions during the power generation process. The Group considers implementing effective carbon asset management with an aim of taking the lead in energy conservation and emissions reduction and maximising the carbon assets in hand to enhance corporate benefits.

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.1 Photovoltaic Power Plant Projects

(a) Scale and performance of the centralised photovoltaic power plant projects

During the Year, the Group's centralised photovoltaic power business operated steadily. The Group recorded revenue of approximately HK\$2,503.7 million (2020: approximately HK\$2,390.9 million) from the sale of electricity of the Group's centralised photovoltaic power plants, representing approximately 42% (2020: approximately 43%) of the Group's total revenue during the Year.

As at 31 December 2021, 52 (2020: 50) centralised photovoltaic power plants covering 13 provinces, 2 autonomous regions and 1 municipality in the PRC and 1 (2020: 1) centralised photovoltaic power plant in Whyalla, Southern Australia, Australia were held by the Group and in operation, and the aggregate on-grid capacity of these photovoltaic power plants reached 2,252MW (2020: 2,239MW), details of which are set forth below:

Location	Photovoltaic resource area	Number of plants	2021	Approximate aggregate power generation (note 1)	Number of plants	2020	Approximate aggregate power generation (note 1)
			Approximate total on-grid capacity (MW)	(MWh)		Approximate total on-grid capacity (MW)	(MWh)
PRC-Subsidiaries:							
Hebei Province	II/III	17	575	742,465	16	572	671,863
Henan Province	III	3	264	330,230	3	264	333,254
Shandong Province	III	5	248	306,197	5	248	308,996
Guizhou Province	III	4	211	204,160	4	211	211,666
Anhui Province	III	6	191	224,340	6	191	202,544
Shaanxi Province	II	2	160	241,563	2	160	249,703
Jiangxi Province	III	3	125	131,131	3	125	125,212
Jiangsu Province	III	1	100	138,004	1	100	177,879
The Ningxia Hui Autonomous Region	I	1	100	146,924	1	100	145,809
Hubei Province (note 2)	III	3	70	49,270	2	43	41,063
Jilin Province	II	1	30	45,040	1	30	46,791
The Tibet Autonomous Region	III	1	30	43,811	1	30	40,524
Tianjin Municipality	II	1	30	40,231	1	30	44,772
Yunnan Province	II	1	22	32,026	1	22	30,794
Shanxi Province	III	1	20	29,322	1	20	28,373
Guangdong Province	III	1	10	843	-	-	-
		51	2,186	2,705,557	48	2,146	2,659,243
PRC-Joint ventures:							
Anhui Province	III	1	60	79,816	1	60	74,825
Hubei Province (note 2)	III	-	-	19,199	1	27	27,095
		1	60	99,015	2	87	101,920
PRC-Sub-total							
		52	2,246	2,804,572	50	2,233	2,761,163
Overseas-Subsidiary:							
Whyalla, Southern Australia, Australia	N/A	1	6	7,572	1	6	6,450
Total		53	2,252	2,812,144	51	2,239	2,767,613

Management Discussion and Analysis

31 December 2021

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.1 Photovoltaic Power Plant Projects (Continued)

(a) Scale and performance of the centralised photovoltaic power plant projects (Continued)

Most of the Group's centralised photovoltaic power plant projects in the PRC were located in the east and central regions of the PRC; and were situated in photovoltaic resource areas II and III as promulgated by the NDRC, locations considered by the management to be favourable for the development of the Group's Photovoltaic Power Business. Set out below the projects analysis by photovoltaic resource areas:

Photovoltaic resource area	2021			2020		
	Number of plants	Approximate total on-grid capacity (MW)	Approximate aggregate power generation (note 1) (MWh)	Number of plants	Approximate total on-grid capacity (MW)	Approximate aggregate power generation (note 1) (MWh)
PRC-Subsidiaries:						
I	1	100	146,924	1	100	145,809
II	12	448	656,404	12	448	689,725
III	38	1,638	1,902,229	35	1,598	1,823,709
	51	2,186	2,705,557	48	2,146	2,659,243
PRC-Joint ventures:						
III	1	60	99,015	2	87	101,920
Total	52	2,246	2,804,572	50	2,233	2,761,163

Note 1: It represented the approximate aggregate power generation of the projects from the later of (i) the dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) the beginning of the respective reporting periods, to the end of the respective reporting periods. Therefore, the above aggregate power generation may not reflect a full year performance of these operations.

Note 2: The project (the "Hubei Project") was jointly held by TJCE and 北京北控蘇銀股權投資管理中心(有限合夥)(Beijing BE Suyin Equity Investment Management Centre (Limited Partnership)*), ("BE Suyin"), a limited partnership established in August 2017 which was classified as a joint venture of the Group since 2017, and the power generation of the Hubei Project had been classified as the power generation of joint venture since 2017. The Group owned 65% subordinated interest in BE Suyin. Further details of the establishment of BE Suyin are set out in the Company's announcement dated 9 August 2017.

In the second half of 2021, pursuant to certain equity transfer agreements entered into between the Group and two partners of BE Suyin respectively, two partners of BE Suyin disposed of their entire equity interests in BE Suyin to the Group and the equity transfer (the "BE Suyin Transaction") was completed in September 2021. The Group owned 99.99% equity interest in BE Suyin upon the BE Suyin Transaction completed, and the power generation of the Hubei Project had been classified as the power generation of subsidiary since September 2021.

Note 3: During the Year, the average unit selling price (excluding value-added tax) per kilowatt-hour of the above projects located in the PRC was approximately RMB0.77.

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.1 Photovoltaic Power Plant Projects (Continued)

(b) Scale of the centralised photovoltaic power plant projects registered in the Project List

During the Year, settlements of the renewable energy subsidies of these centralised photovoltaic power plants held by the Group's subsidiaries in the amount of approximately HK\$651.0 million (2020: approximately HK\$630.4 million) were received. As at 31 December 2021, the Group's aggregate installed capacity of the centralised photovoltaic power plants registered into the Project List reached approximately 1,950MW (2020: approximately 1,300MW). The remaining centralised photovoltaic power plant projects of the Group are pending from the review approval to enroll in the Project List. The Group will continue its effort on enrolling the remaining centralised photovoltaic power plant projects into the Project List. The Directors expect that the remaining projects of the Group will receive the review approval and be enrolled in the Project List within 2022 and coming future.



Centralised Photovoltaic Power Plant, Baoying, Jiangsu Province



Centralised Photovoltaic Power Plant, Qixian Miaokou, Henan Province

(c) Key performance data of the centralised photovoltaic power plant projects held by the Group and in operation on or before the beginning of the reporting period

	2021	2020	Changes
Weighted average utilisation ratio (%)	97.32	97.63	(0.31)
Weighted average utilisation hours (hours)	1,259	1,280	(21)

During the Year, the weighted average utilisation hours of the Group reached 1,259 hours, which was higher than the national average utilisation hours of photovoltaic power of 1,163 hours in the PRC. The decrease of weighted average utilisation ratio noted during the Year as compared to the corresponding period of last year was mainly attributable to the lower utilisation ratio from the centralised photovoltaic power plant projects of the Group located in Guizhou Province and Shaanxi Province.

Management Discussion and Analysis

31 December 2021

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.1 Photovoltaic Power Plant Projects (Continued)

(d) *Scale and performance of the distributed photovoltaic power plant projects*

In respect of the distributed photovoltaic power business, as at 31 December 2021, the total installed capacity of the distributed photovoltaic power plants held and/or managed by the Group and in operation reached approximately 700MW (2020: approximately 700MW), mainly located in photovoltaic resource area III as promulgated by the NDRC such as Henan Province, Jiangsu Province, Shandong Province, Hebei Province and Anhui Province, which included the distributed photovoltaic power stations constructed by the Group in certain water plants of Beijing Enterprises Water Group Limited of which the Group sold electricity to respective water plants. Revenue from the sale of electricity of the Group's distributed photovoltaic power plants reached approximately HK\$622.3 million during the Year (2020: approximately HK\$455.3 million).



Distributed Photovoltaic Power Station in Fengtai Industrial Park, Wuhu, Anhui Province

(e) *Scale of the distributed photovoltaic power plant projects registered in the Project List*

During the Year, settlements of the renewable energy subsidies of these distributed photovoltaic power plants held by the Group's subsidiaries in the amount of approximately HK\$154.2 million (2020: approximately HK\$57.9 million) were received. As at 31 December 2021, the Group's aggregate installed capacity of the distributed photovoltaic power plants registered into the Project List reached approximately 550MW (2020: approximately 300MW). The remaining distributed photovoltaic power plant projects of the Group are pending from the review approval to enroll in the Project List. The Group will continue its effort on enrolling the remaining distributed photovoltaic power plant projects into the Project List. The Directors expect that the remaining projects of the Group will receive the review approval and be enrolled in the Project List within 2022 and coming future.

(f) *Entrusted management services*

In addition to the above-mentioned sale of electricity from the Group's photovoltaic power plants, the Group provided entrusted management services for photovoltaic power plant projects in the PRC and revenue of approximately HK\$7.5 million (2020: approximately HK\$90.0 million) was recognised during the Year.

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.2 Wind Power Plant Projects

Reviewing the year of 2021, the central government unprecedentedly included “Carbon Dioxide Emissions Peak” and “Carbon Neutrality” in its overall planning for the construction of ecological civilisation and called for the accelerated establishment of an economic regime featuring low-carbon green recycling development. Under the situation and requirements of strictly controlling the total amount and intensity of traditional energy consumption and continuous improvement of the ecological environment, especially the announcement of accomplishment of the “double carbon” targets (“Carbon Dioxide Emissions Peak” and “Carbon Neutrality”), wind power as a green and clean energy, will become one of the main strategic energies in the PRC in the future.

With the Group’s expertise and professional team in, among others, investing, developing and managing wind and other clean energy power businesses, the Group is optimistic on continuously developing its Wind Power Business to contribute effort in building up a green future of the PRC.

(a) *Scale and performance of the wind power plant projects*

During the Year, the Group’s Wind Power Business expanded steadily. The Group recorded revenue of approximately HK\$815.9 million (2020: approximately HK\$322.1 million) from the sale of electricity of the Group’s wind power plants, representing an increase of approximately 153% as compared with the corresponding period of last year.



Wind Power Plant, Xinxiang Yuanyang,
Henan Province

Management Discussion and Analysis

31 December 2021

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.2 Wind Power Plant Projects (Continued)

(a) Scale and performance of the wind power plant projects (Continued)

As at 31 December 2021, through self-development, joint development and acquisitions, etc., the Group's aggregate capacity of the grid-connected, under-construction and approved-to-construct wind power projects reached over 1,400MW. These projects mainly located in Hebei Province, Henan Province and Shandong Province, and mainly situated in wind resource area IV as promulgated by the NDRC. Among which, 13 (2020: 11) wind power plants covering 4 provinces and 1 autonomous region in the PRC with an aggregate on-grid capacity of 588MW (2020: 438MW) were held by the Group and in operation as at 31 December 2021, which is analysed below:

Location	Wind resource area	Number of plants	2021		Number of plants	2020	
			Approximate total on-grid capacity (MW)	Approximate aggregate power generation (note 1) (MWh)		Approximate total on-grid capacity (MW)	Approximate aggregate power generation (note 1) (MWh)
PRC-Subsidiaries:							
Henan Province	IV	5	171	421,101	5	171	135,214
Shandong Province	IV	2	148	213,560	1	48	98,988
The Inner Mongolia Autonomous Region	I	4	119	416,558	4	119	378,415
Hebei Province	IV	1	100	282,586	1	100	37,712
Shanxi Province	IV	1	50	87,684	-	-	-
Total		13	588	1,421,489	11	438	650,329

Most of the Group's wind power plant projects in the PRC were situated in wind resource area IV as promulgated by the NDRC, locations considered by the management to be favourable for the development of the Group's Wind Power Business.

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.2 Wind Power Plant Projects (Continued)

(a) Scale and performance of the wind power plant projects (Continued)

During the Year, the wind power generation of the Group on a consolidated basis amounted to approximately 1.42 million MWh (2020: approximately 0.65 million MWh), representing an increase of approximately 118.6% as compared with the corresponding period of last year. Set out below the projects analysis by wind resource areas:

Wind resource area	2021			2020		
	Number of plants	Approximate total on-grid capacity (MW)	Approximate aggregate power generation (note 1) (MWh)	Number of plants	Approximate total on-grid capacity (MW)	Approximate aggregate power generation (note 1) (MWh)
PRC-Subsidiaries:						
I	4	119	416,558	4	119	378,415
IV	9	469	1,004,931	7	319	271,914
Total	13	588	1,421,489	11	438	650,329

Note 1: It represented the approximate aggregate power generation of the projects from the later of (i) the dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) the beginning of the respective reporting periods, to the end of the respective reporting periods. Therefore, the above aggregate power generation may not reflect a full year performance of these operations.

Note 2: During the Year, the average unit selling price (excluding value-added tax) per kilowatt-hour of the above projects was approximately RMB0.48.

(b) Scale of the wind power plant projects registered in the Project List

During the Year, settlements of the renewable energy subsidies of these wind power plants held by the Group's subsidiaries in the amount of approximately HK\$64.5 million (2020: approximately HK\$37.6 million) were received. As at 31 December 2021, the Group's aggregate installed capacity of the wind power plants registered into the Project List reached approximately 400MW (2020: approximately 200MW). The remaining wind power plant projects of the Group are pending from the review approval to enroll in the Project List. The Group will continue its effort on enrolling the remaining wind power plant projects into the Project List. The Directors expect that the remaining projects of the Group will receive the review approval and be enrolled in the Project List within 2022 and coming future.

Management Discussion and Analysis

31 December 2021

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.2 Wind Power Plant Projects (Continued)

(c) *Key performance data of the wind power plant projects held by the Group and in operation on or before the beginning of the reporting period*

	2021	2020	Changes
Weighted average utilisation ratio (%)	97.21	97.00	0.21
Weighted average utilisation hours (hours)	2,902	2,955	(53)

During the Year, the weighted average utilisation hours of the Group reached 2,902 hours, which was higher than the national average utilisation hours of wind power of 2,246 hours in the PRC. The Group's wind power plant projects are mainly located in wind resource area IV as promulgated by the NDRC and therefore with a higher average utilisation hours. During the Year, the weighted average utilisation ratio of the Group was 97.21%, which was higher than the national average utilisation ratio of wind power of 96.9% in the PRC. The improvement of weighted average utilisation ratio during the Year as compared to the corresponding period of last year was mainly attributable to more wind power plant projects of the Group commenced to be operated in Henan Province and Hebei Province which are located in wind resource area IV.

(d) *Entrusted management services*

In addition to the above-mentioned sale of electricity from the Group's wind power plants, the Group provided entrusted management services for wind power plant projects in the PRC and revenue of approximately HK\$181.0 million (2020: approximately HK\$111.5 million) was recognised during the Year.

1. BUSINESS REVIEW (CONTINUED)

1.2 Engineering, Procurement and Construction Services, and Technical Consultancy Services

The Group is engaged in the provision of engineering, procurement and construction services for clean energy businesses including photovoltaic and wind power-related projects and clean heat supply projects in the PRC, and has couples of qualification and extensive experience in the design, engineering and construction of power-related projects. At the same time, the Group pays much attention to self-owned photovoltaic and wind power-related project construction, which can optimise the resource allocation during the Year. Therefore, revenue of approximately HK\$654.4 million (2020: approximately HK\$802.0 million) in aggregate arising from the provision of engineering, procurement and construction services was recognised during the Year, representing 11% (2020: 15%) of the Group's total revenue during the Year and a decrease of 18% as compared to the corresponding period of last year.

In addition, certain photovoltaic power plants and clean heat supply projects on a build-operate-transfer basis (the "BOT Basis") were under construction during the Year. With reference to HK (IFRIC) Interpretation 12 Service Concession Arrangements, construction revenue of approximately HK\$71.0 million (2020: approximately HK\$246.6 million) was recognised during the Year with reference to the fair value of construction services delivered during the construction phase. The fair value of such services is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the inception date of the relevant service concession agreements.

In respect of the technical consultancy services, as a result from the optimisation of the resource allocation of the Group, less efforts spent by the Group during the Year to explore opportunities from other industry participants in this business sector. Revenue of approximately HK\$69.0 million (2020: approximately HK\$172.9 million) was recognised during the Year and a decrease of 60% as compared to the corresponding period of last year.

1.3 Provision of Clean Heat Supply Services

At the 75th session of the United Nations General Assembly, the General Secretary Xi Jinping pointed out that more forceful policies and measures to the fight against climate change will be adopted in the PRC. It aims to achieve the goal of "Carbon Dioxide Emissions Peak" by 2030 and the vision of "Carbon Neutrality" by 2060. This signifies that the central government is taking practical actions to enforce the United Nations Framework Convention on Climate Change and the Paris Agreement, and is determined to implement green, low-carbon, safe and efficient utilisation of energy, and emission-reducing production methods. With the introduction of the "14th Five-Year Plan", China's clean heat supply policy will continue to flourish, and heat supply methods that are environmentally friendly, energy efficient, appropriate and conducive to support urban development, which will become the future of the heat supply industry.

Management Discussion and Analysis

31 December 2021

1. BUSINESS REVIEW (CONTINUED)

1.3 Provision of Clean Heat Supply Services (Continued)

With existing supportive government policies issued, such as the “Notice on Improving the Work Related to Heating by Renewable Energy Based on Local Conditions*” (《關於因地制宜做好可再生能源供暖相關工作的通知》) issued by the NEA in January 2021, which encouraged the local governments to actively support renewable energy heating projects; and the “China Energy Expected Goals in 2021*” (《2021年能源工作指導意見》) issued by the NEA in April 2021, which stated to intensify the action on clean heat supply to achieve a clean heat supply rate of 70% in the northern region in the PRC. In addition, pursuant to the “Opinions on Complete and Accurate Implementation of the New Development Concept and Full Preparation on the Works of Carbon Dioxide Emissions Peak and Carbon Neutrality*” (《關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見》) issued by the State Council of the PRC in October 2021, which steadily promoted clean and low-carbon heat supply methods, such as heat pumping, natural gas, biomass energy and geothermal energy based on local conditions. The Clean Heat Supply Business shall have a favourable business prospects.

The Group will actively respond to national policies, seize the opportunities arising from the new round of industrial revolution, vigorously develop our clean heat supply business, continuously increase our investments in technology research and development, actively explore green, low-carbon and environmentally friendly clean heat supply methods. As at 31 December 2021, through self-development and acquisitions, 14 projects (2020: 15 projects) in operation with an aggregate actual clean heat supply area reached approximately 49.7 million square meters (“sq.m.”) (2020: approximately 29.1 million sq.m.), representing a year-on-year increase of 70.4%; and the number of clean heat supply services users of approximately 310,478 households (2020: approximately 228,108 households), representing a year-on-year increase of 36.1%, with its projects locating in Henan Province, Jiangsu Province, Shanxi Province, Shaanxi Province, Liaoning Province, the Ningxia Hui Autonomous Region and other provinces and autonomous regions were held and/or managed by the Group and the joint ventures of the Group through the utilisation of clean energies such as natural gas, electricity, geothermal energy, biomass energy, photovoltaic power, industrial excess heat energy, clean coal (ultra-low emission), river water source, etc. Revenue of approximately HK\$1,092.4 million (2020: approximately HK\$960.5 million) arising from the provision of clean heat supply services was recognised by the Group during the Year, representing an increase of approximately 14% as compared to the corresponding period of last year.



Clean Heat Supply Project in Xi'an, Shaanxi Province

1. BUSINESS REVIEW (CONTINUED)

1.3 Provision of Clean Heat Supply Services (Continued)

Among them, details of actual clean heat supply area and number of clean heat supply services users of the projects in operation which were held and/or managed by the Group and the joint ventures of the Group are as follows:

Location	Approximate actual clean heat supply area			Approximate clean heat supply services users		
	31 December	31 December	Change	31 December	31 December	Change
	2021 ('000 sq.m.)	2020 ('000 sq.m.)		2021 (households)	2020 (households)	
Northeast region, China	27,067	7,694	251.8	141,609	76,999	83.9
North region, China	13,991	13,684	2.2	107,611	108,936	(1.2)
Northwest region, China	6,627	5,977	10.9	48,519	27,683	75.3
East and Central regions, China	1,987	1,792	10.9	12,739	14,490	(12.1)
Total	49,672	29,147	70.4	310,478	228,108	36.1

1.4 Other Clean Energy Businesses

The Group has been exploring other clean energy businesses such as multi-energy complement, hydropower, energy storage, distribution and sales of electricity, hydrogen production and other business lines, and exploring international opportunities for strategic development and diversification, with an aim to become a leading integrated clean energy service provider. During the Year, the Group has also entered into several strategic cooperation agreements with certain local governments and well-established enterprises, and proactively established integrated partnerships to seek joint development in the field of clean energy for the purpose of mutual benefits and complementarity.

Management Discussion and Analysis

31 December 2021

2. FINANCIAL PERFORMANCE

2.1 Revenue and gross profit margin

The Group recorded revenue of approximately HK\$6,023.4 million (2020: approximately HK\$5,551.8 million) during the Year, representing an increase of approximately 8% as compared to the corresponding period of last year. For the Year (i) revenue from the sale of electricity and entrusted management services reached approximately HK\$4,136.6 million (2020: approximately HK\$3,369.8 million) in aggregate, representing an increase of approximately 23% as compared to the corresponding period of last year; and (ii) revenue from construction services was approximately HK\$725.4 million (2020: approximately HK\$1,048.6 million), representing a decrease of approximately 31% as compared to the corresponding period of last year.

The gross profit performance by business nature is set out below:

	2021			2020		
	Revenue (HK\$ million)	Gross profit ratio (%)	Gross profit (HK\$ million)	Revenue (HK\$ million)	Gross profit ratio (%)	Gross profit (HK\$ million)
Sale of electricity						
Photovoltaic Power Business	3,126.0	58.0	1,814.1	2,846.2	68.6	1,953.5
Wind Power Business	815.9	65.3	532.8	322.1	62.2	200.3
Construction services	725.4	5.2	37.4	1,048.6	22.7	237.9
Technical consultancy services	69.0	39.1	27.0	172.9	60.7	105.0
Entrusted operations	194.7	35.6	69.3	201.5	38.3	77.1
Provision of clean heat supply services	1,092.4	8.8	95.9	960.5	9.3	89.0
Total	6,023.4	42.8	2,576.5	5,551.8	48.0	2,662.8

Analysis of the above businesses are set out in the section headed "1. Business Review" in "Management Discussion and Analysis".

Gross profit for the sale of electricity increased from approximately HK\$2,153.8 million for the year ended 31 December 2020 to approximately HK\$2,346.9 million during the Year, representing 91% (2020: 81%) to the total gross profit of the Group. The increase in contribution of sale of electricity to the Group's total gross profit was mainly attributable to the steady development of the Group's operating capacity of the photovoltaic and wind power plant projects. On the other hand, contribution of construction services to the Group's total gross profit was 2% (2020: 9%) during the Year.

The overall gross profit ratio for the Year was 42.8% (2020: 48.0%). The decrease was mainly due to the decrease in gross profit from the non-core businesses such as construction services and technical consultancy services during the Year. The Group's total gross profit for the Year was comparable to the corresponding period of last year.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.2 Other income and gains, net

The Group's other income and gains, net achieved approximately HK\$216.9 million (2020: approximately HK\$206.3 million) during the Year, which mainly comprised (i) interest income of approximately HK\$16.6 million (2020: approximately HK\$43.1 million); (ii) government grants of approximately HK\$57.2 million (2020: approximately HK\$108.4 million); and (iii) reversal of impairment of interest in an associate of approximately HK\$53.6 million (2020: Nil).

2.3 Administrative expenses

The increase in administrative expenses for the Year to approximately HK\$512.1 million (2020: approximately HK\$388.6 million), which was mainly attributable to the increases in staff costs during the Year as a result of the expansion of the Photovoltaic Power Business, Wind Power Business and Clean Heat Supply Business.

2.4 Other operating expenses, net

The increase in other operating expenses from HK\$157.1 million in 2020 to HK\$1,081.9 million during the Year were mainly attributable to one-off and non-cash items of (i) the recognition of the impairments for the Group's property, plant and equipment and operating concessions of approximately HK\$299.7 million (2020: Nil); and (ii) the recognition of the impairments for the Group's prepayments, deposits and other receivables of approximately HK\$561.4 million (2020: Nil).

The recognition of the impairments for the Group's property, plant and equipment and operating concessions was arisen from relevant impairment tests performed for the fixed assets of the Group's projects with impairment indicator(s), based on the principle of prudence, in order to reflect the financial position and the operating performance of the Group in an objective and fair manner. Due to the unexpected performance changes in individual projects, resulting in impairment indication(s) for the fixed assets from the respective projects.

The recognition of the impairments for the Group's prepayments, deposits and other receivables was due to the failure of repayment on agreed schedule from certain parties of the other receivables. The Group had recognised impairments on these affected balances, taking into consideration the aging of such receivables and the repayment ability of the relevant defaulters.

2.5 Finance costs

The increase in finance costs of the Group by approximately HK\$195.0 million to approximately HK\$1,518.7 million (2020: approximately HK\$1,323.7 million) was mainly attributable to (i) the decrease in interests capitalised during the Year; and (ii) the increase of interest on options granted to non-controlling interests recognised during the Year, which deemed as one-off nature as the Group has previously obtained several rounds of capital contributions from certain strategic investors.

2.6 Income tax expense

The Group conducted its principal activities in the PRC and the relevant standard corporate income tax rate was 25%. The Group's effective tax rate was lower than the standard corporate income tax rate in the PRC as certain of the Group's operating subsidiaries enjoyed tax concession benefits during the corresponding years. The decrease in income tax expense during the Year was mainly due to deferred tax income provided for impairments for the Group's property, plant and equipment, operating concessions and prepayments, deposits and other receivables.

2.7 Property, plant and equipment

Property, plant and equipment mainly represented the carrying amounts of clean energy projects held by the Group and in operation or under construction, and the increase was mainly attributable to the net effect of (i) the acquisition and development of clean energy projects; and (ii) depreciation provided during the Year.

Management Discussion and Analysis

31 December 2021

2. FINANCIAL PERFORMANCE (CONTINUED)

2.8 Investment properties

The Group's investment properties mainly represented the fair value of an office in Hong Kong and were leased to an independent third party.

2.9 Goodwill

It was attributable to the acquisition of subsidiaries since 2016.

2.10 Operating concessions and operating rights

Operating concessions represented the rights to operate certain photovoltaic power plants and clean heat supply projects under the BOT Basis, and operating rights represented the operating rights arising from the acquisition of clean energy businesses with reference to HKFRS 3 (Revised) Business Combinations. The decrease in operating concessions was mainly attributable to the impairment provided for a photovoltaic power plant during the Year, and the increase in operating rights was mainly attributable to the net effect of (i) the acquisition of clean energy businesses; and (ii) amortisation provided for during the Year.

2.11 Investments in joint ventures

It mainly represented the capital contributions made by the Group to the limited partnerships established in the PRC and joint ventures established for conducting the clean energy businesses.

2.12 Investments in associates

It mainly represented (i) the Group's investment in 北清環能集團股份有限公司 (BECE Legend Group Co., Ltd*) (formerly known as 四川金宇汽車城(集團)股份有限公司 (Sichuan Jinyu Automobile City (Group) Co., Ltd.*)) (a company established in the PRC with limited liability whose shares are listed on the Shenzhen Stock Exchange (Stock Code: SZ.000803)), an associate owned as to 19.45% interest by the Group and was principally engaged in the organic waste hazard-free treatment and high-value resource utilisation business, the clean heat supply business and the energy performance contracting business; and (ii) the Group's investment in 北控城投控股集團有限公司 (Beijing Enterprises City Investment Holdings Group Co., Ltd*), an associate owned as to 15% interest by the Group and was principally engaged in the investment, development and operation of infrastructural and properties-related businesses in the PRC. The increase was mainly attributable to the net effect of (i) share of profit and losses of associates; and (ii) deemed disposal loss arisen from BECE Legend Group Co., Ltd during the Year.

2.13 Other non-current assets

It represented materials and equipment sold and delivered to independent third parties for the development of wind power plant projects.

2.14 Contract assets

Contract assets as at 31 December 2021 of approximately HK\$1,354.0 million (2020: approximately HK\$3,477.6 million) represented (i) gross receivables of approximately HK\$572.5 million (2020: approximately HK\$1,270.5 million) mainly arising from the provision of engineering, procurement and construction services for clean energy projects; (ii) gross receivables of approximately HK\$839.1 million (2020: approximately HK\$2,244.0 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that will be billed and settled upon registering into the Project List; and (iii) loss allowances of contract assets of approximately HK\$57.6 million (2020: approximately HK\$36.9 million). The decrease in contract assets was mainly attributable to net effect of (i) the increase in the clean energy projects registered into the Project List; and (ii) the decrease in the extent of construction services provided for and settlements from customers during the Year.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.15 Trade and bills receivables

Trade and bills receivables of approximately HK\$10,006.8 million (2020: approximately HK\$7,057.9 million) as at 31 December 2021 were mainly comprised (i) gross receivables from the sale of electricity of the photovoltaic and wind power plant projects of approximately HK\$8,073.7 million (2020: approximately HK\$4,851.7 million); (ii) gross receivables from the provision of engineering, procurement and construction services for clean energy businesses of approximately HK\$1,494.3 million (2020: approximately HK\$1,460.0 million); and (iii) loss allowances of trade and bills receivables of approximately HK\$73.8 million (2020: approximately HK\$35.8 million).

As at 31 December 2021, gross trade receivables for the sale of electricity of the photovoltaic and wind power plant projects mainly comprised (i) receivables of approximately HK\$380.8 million (2020: approximately HK\$380.7 million) from the sale of electricity mainly to State Grid Corporation of China, a state-owned enterprise principally engaged in the development and operation of nationwide power network; and (ii) receivables of approximately HK\$7,646.6 million (2020: approximately HK\$4,421.7 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that have been registered into the Project List.

2.16 Prepayments, deposits and other receivables, and other tax recoverables

The decrease in prepayments, deposits and other receivables and other tax recoverables by approximately HK\$3,734.3 million in aggregate (non-current portion decreased by approximately HK\$2,993.0 million and current portion decreased by approximately HK\$741.3 million in aggregate respectively) to approximately HK\$7,153.8 million (2020: approximately HK\$10,888.1 million) in aggregate was mainly attributable to (i) the decreases in prepayments, deposits and other receivables for the acquisition and development of clean energy projects; (ii) the decrease in the input value-added-tax recoverables arising from the utilisation of input value-added-tax recoverables from sale of electricity; and (iii) impairments for prepayments, deposits and other receivables.

2.17 Cash and cash equivalents

The decrease in cash and cash equivalents by approximately HK\$1,380.7 million to approximately HK\$1,140.8 million (2020: approximately HK\$2,521.5 million) was mainly attributable to net effect of (i) the redemption of corporate bonds and the perpetual capital instrument; (ii) cash outflow on developing, acquiring and operating clean energy projects; and (iii) net cash inflow from daily operating activities during the Year.

2.18 Trade and bills payables

Trade and bills payables of approximately HK\$3,296.1 million (2020: approximately HK\$5,898.1 million) mainly represented trade and bills payables in relation to the provision of engineering, procurement and construction services for the development of clean energy projects.

2.19 Other payables and accruals

Other payables and accruals of approximately HK\$2,363.8 million (2020: approximately HK\$4,208.2 million) decreased by approximately HK\$1,844.4 million, which was mainly due to the net effect of (i) increase in construction and equipment payables to contractors and suppliers in relation to the projects held by the Group; and (ii) settlement of the construction and equipment payable of projects acquired or under development by the Group during the Year.

Management Discussion and Analysis

31 December 2021

2. FINANCIAL PERFORMANCE (CONTINUED)

2.20 Other current liabilities and other non-current liabilities

Other current liabilities represented a financial liability of approximately HK\$1,577.9 million (2020: Nil) mainly arising from an option granted to the First Round Investors, the Second Round Investors and the Third Round Investor (as hereinafter defined under the section headed “2.23 Liquidity and financial resources – (c) Capital contribution” in “Management Discussion and Analysis”). Other non-current liabilities mainly comprised (i) deferred income of approximately HK\$1,547.6 million (2020: approximately HK\$943.5 million) arising from the materials and equipment sold and delivered to independent third parties for the development of wind power plant projects; and (ii) a financial liability of approximately HK\$1,227.1 million (2020: approximately HK\$1,404.3 million) mainly arising from an option granted to the Fourth Round Investors (as hereinafter defined under the section headed “2.23 Liquidity and financial resources – (c) Capital contribution” in “Management Discussion and Analysis”). Further details of the option are set out in the Company’s announcements dated 27 December 2019, 30 July 2020, 26 March 2021 and 17 September 2021 and the Company’s circular dated 24 December 2020.

2.21 Interest-bearing bank loans and other borrowings, corporate bonds (excluding operating leases)

Interest-bearing bank loans and other borrowings, corporate bonds and lease liabilities, of approximately HK\$31,216.9 million (2020: approximately HK\$29,661.3 million) in aggregate increased by approximately HK\$1,555.6 million in aggregate (non-current portion decreased by approximately HK\$3,441.4 million and current portion increased by approximately HK\$4,997.0), which was mainly attributable to the net effect of (i) the drawdown of bank loans and other borrowings for the development of the clean energy businesses; (ii) the repayment of bank loans and other borrowings; and (iii) the redemption of partial portions of corporates bonds during the Year.

2.22 Capital expenditures

During the Year, the Group’s total capital expenditures amounted to approximately HK\$2,411.8 million (2020: approximately HK\$5,088.5 million), comprising (i) development of photovoltaic and wind power plant projects, clean heat supply projects, and other property, plant and equipment of approximately HK\$1,423.3 million (2020: approximately HK\$2,490.5 million) in aggregate; (ii) acquisition of other intangible assets of approximately HK\$3.5 million (2020: approximately HK\$1.1 million); and (iii) investments in and acquisition of equity interests in subsidiaries, joint ventures and associates of approximately HK\$985.0 million (2020: approximately HK\$2,596.9 million).

2.23 Liquidity and financial resources

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group’s cash and cash equivalents are mainly denominated in Hong Kong dollars (“HK\$”) and Renminbi (“RMB”). Surplus cash is generally placed in short-term deposits denominated in HK\$ and RMB.

As at 31 December 2021, the Group’s cash and cash equivalents amounted to approximately HK\$1,140.8 million (2020: approximately HK\$2,521.5 million).

2. FINANCIAL PERFORMANCE (CONTINUED)

2.23 Liquidity and financial resources (Continued)

Developments of the clean energy businesses require intensive initial capital investments and the Group funds such developments during the Year mainly by (i) long-term bank loans and other borrowings; (ii) corporate bonds; and (iii) capital contribution(s) as illustrated below.

(a) Long-term bank loans and other borrowings, corporate bonds (excluding operating leases)

As at 31 December 2021, the Group's total borrowings of approximately HK\$31,216.9 million (2020: approximately HK\$29,661.3 million) comprised (i) bank loans of approximately HK\$15,462.0 million (2020: approximately HK\$13,527.8 million); (ii) corporate bonds of approximately HK\$1,188.4 million (2020: approximately HK\$1,696.3 million); and (iii) lease liabilities under finance lease arrangements and other loans of approximately HK\$14,566.5 million (2020: approximately HK\$14,437.2 million). Approximately 64% (2020: approximately 79%) of the Group's borrowings are long-term borrowings.

(b) Corporate bonds

A corporate bond (the "First Corporate Bond") with an aggregate principal amount of RMB500,000,000 was issued by the Company to certain institutional investors on 6 December 2019, bearing interest at a rate of 5.99% per annum. The First Corporate Bond is unsecured and repayable on 6 December 2022. One year prior to the maturity pursuant to the terms and conditions in the subscription agreement of the First Corporate Bond, the Company shall be entitled to adjust the coupon rate of the First Corporate Bond and the bond holders shall be entitled to sell back the First Corporate Bond to the Company. Further details of the corporate bond are set out in the Company's announcement dated 6 December 2019. In December 2021, the Company redeemed the principal amount of RMB460,000,000 from the bond holder, the remaining portion of the principal amount of RMB40,000,000 will be repayable on 6 December 2022 and classified as current liabilities as at 31 December 2021. Further details of the First Corporate Bond are set out in the Company's announcement dated 2 December 2021.

A corporate bond (the "Second Corporate Bond") with an aggregate principal amount of RMB900,000,000 was issued by the Company to certain institutional investors on 29 April 2020, bearing interest at a rate of 5.50% per annum. The Second Corporate Bond is unsecured and repayable on 29 April 2023. One year prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of the Second Corporate Bond and the bond holders shall be entitled to sell back the Second Corporate Bond to the Company. Further details of the Second Corporate Bond are set out in the Company's announcement dated 30 April 2020.

Management Discussion and Analysis

31 December 2021

2. FINANCIAL PERFORMANCE (CONTINUED)

2.23 Liquidity and financial resources (Continued)

(c) Capital contribution

Subsequent to the capital contribution in Beiqing Smart in the aggregate amount of RMB600 million (the “First Round Capital Increase”) by 天津市平安消費科技投資合夥企業(有限合夥)(Tianjin Ping An Consumption Technology Investment Partnership Enterprise (Limited Partnership)*), 嘉興智精投資合夥企業(有限合夥)(Jiaying Zhijing Investment Partnership Enterprise (Limited Partnership)*), 嘉興智精恒錦投資合夥企業(有限合夥)(Jiaying Zhijing Hengjin Investment Partnership Enterprise (Limited Partnership)*) and 嘉興智精恒睿投資合夥企業(有限合夥)(Jiaying Zhijing Hengrui Investment Partnership Enterprise (Limited Partnership*)) (collectively the “First Round Investors”) in December 2019, on 30 July 2020, the Company, Harvest Sunny International Limited (“Harvest Sunny”) and Beiqing Smart, both being subsidiaries of the Company, entered into a capital contribution agreement with 深圳市海匯全贏投資諮詢合夥企業(有限合夥)(Shenzhen Haihui Quanying Investment Consulting Partnership Enterprise (Limited Partnership)*) and 啟鷺(廈門)股權投資合夥企業(有限合夥)(Qilu (Xiamen) Equity Investment Partnership Enterprise (Limited Partnership*)) (the “Second Round Investors”), pursuant to which the Second Round Investors agreed to contribute new capital in the aggregate amount of RMB400 million in return for approximately 4.30% of the enlarged capital of the Beiqing Smart (the “Second Round Capital Increase”).

In December 2020, Beiqing Smart conducted a further round of capital increase where 橙葉智成(淄博)股權投資合夥企業(有限合夥)(Orange Leaf Zhicheng (Zibo) Equity Investment Partnership Enterprise (Limited Partnership*)) (the “Third Round Investor”) contributed new capital in the amount of RMB100 million to Beiqing Smart (the “Third Round Capital Increase”).

On 26 March 2021, the Company, Tianjin Fuqing and Beiqing Smart, both being subsidiaries of the Company, entered into nine capital contribution agreements with 蕪湖建信鼎信投資管理中心(有限合夥)(Wuhu CCB Trust Dingxin Investment Management Centre (Limited Partnership)*), 譽華融投聯動(廈門)投資合夥企業(有限合夥)(Yuhua Rongtou Linkage (Xiamen) Investment Partnership Enterprise (Limited Partnership)*), 南昌市紅穀灘新區航投譽華股權投資中心(有限合夥)(Nanchang Honggutuan New District Hangtou Yuhua Equity Investment Centre (Limited Partnership)*), 橙葉志嘉(淄博)股權投資基金中心(有限合夥)(Orange Leaf Zhijia (Zibo) Equity Investment Fund Centre (Limited Partnership)*), 橙葉智通(淄博)股權投資合夥企業(有限合夥)(Orange Leaf Zhitong (Zibo) Equity Investment Partnership Enterprise (Limited Partnership)*), 橙葉智鴻(淄博)股權投資合夥企業(有限合夥)(Orange Leaf Zhihong (Zibo) Equity Investment Partnership Enterprise (Limited Partnership)*), Great First (Hong Kong) Limited (“Great First”), 寧波梅山保稅港區鈞源三號股權投資合夥企業(有限合夥)(Ningbo Meishan Free Trade Zone Junyuan No. 3 Equity Investment Partnership Enterprise (Limited Partnership*)) (“Ningbo Junyuan”), 寧波梅山保稅港區鈞源五號股權投資合夥企業(有限合夥)(Ningbo Meishan Free Trade Zone Junyuan No. 5 Equity Investment Partnership Enterprise (Limited Partnership)*), and 天津富騰企業管理合夥企業(有限合夥)(Tianjin Futeng Enterprise Management Partnership (Limited Partnership*)) (the “Fourth Round Investors”), pursuant to which the Fourth Round Investors agreed to contribute new capital in the aggregate amount of RMB1,076.17 million in return for approximately 9.14% of the enlarged capital of the Beiqing Smart (the “Fourth Round Capital Increase”).

2. FINANCIAL PERFORMANCE (CONTINUED)

2.23 Liquidity and financial resources (Continued)

(c) Capital contribution (Continued)

The Fourth Round Capital Increase has been completed during the Year. Immediately following the completion of the Fourth Round Capital Increase, Beiqing Smart was held as to approximately 80.24% by Harvest Sunny and would continue to be accounted as a subsidiary of the Company. All of the First Round Capital Increase, the Second Round Capital Increase, the Third Round Capital Increase and the Fourth Round Capital Increase constitute deemed disposals by the Company of its interests in Beiqing Smart under Chapter 14 of the Listing Rules. Further details are set out in the Company's announcements dated 27 December 2019, 30 July 2020, 26 March 2021 and 17 September 2021 and the Company's circular dated 24 December 2020.

As majority of the funding derives from equity fundings from shareholders in prior years, long-term borrowings and the corporate bonds, the Group recorded net current liabilities position of approximately HK\$2,570.4 million (2020: net current assets position of approximately HK\$1,049.3 million) as at 31 December 2021.

The Group obtains certain unutilised banking facilities to enable higher flexibility and stability on capital management. As at 31 December 2021, the Group had unutilised banking facilities of approximately HK\$3,772.0 million in aggregate with terms ranging from repayable on demand to 15 years.

The Group's net gearing ratio, which was calculated by dividing net debt (defined as the corporate bonds, bank loans and other borrowings, net of cash and cash equivalents and other lease liabilities) by the sum of net debt and total equity, was approximately 71% (2020: approximately 67%) as at 31 December 2021. The increase in net gearing ratio was mainly due to the increase in bank loans and other borrowings for the purpose of funding the development of the clean energy businesses.

Management Discussion and Analysis

31 December 2021

MATERIAL ASSETS REORGANISATION

On 15 March 2021, Beiqing Smart, an indirect non-wholly owned subsidiary of the Company, entered into an agreement of Intent on Material Assets Reorganisation with SEC Electric pursuant to which Beiqing Smart and SEC Electric proposed to undertake a material asset swap transaction, whereby SEC Electric will use all or part of its assets, liabilities and businesses to swap with the equivalent value of part of the equity interests of Beiqing Smart held by Tianjin Fuqing, an indirect wholly-owned subsidiary of the Company and one of the direct shareholders of Beiqing Smart (the "Asset Swap"). Upon completion of the Asset Swap, SEC Electric will acquire all the remaining equity interests of Beiqing Smart from all the shareholders of Beiqing Smart through the issuance of A-shares of SEC Electric. Further details are set out in the Company's announcement dated 15 March 2021.

On 26 March 2021, SEC Electric, Tianjin Fuqing, Other Beiqing Smart Shareholders and Existing SEC Electric Shareholders entered into the material asset framework agreement dated 26 March 2021 with, among others, Tianjin Fuqing, SEC Electric, the Existing SEC Electric Shareholders and the Other Beiqing Smart Shareholders in relation to, among others, the Asset Swap; the disposal of the all remaining equity interest of Beiqing Smart held by Tianjin Fuqing and the Other Beiqing Smart Shareholders to SEC Electric; and the new ordinary share(s) in the share capital of SEC Electric to be issued to Tianjin Fuqing and the Other Beiqing Smart Shareholders to satisfy the consideration payable by SEC Electric to Tianjin Fuqing and the Other Beiqing Smart Shareholders; and the proposed transfer of part of SEC Electric Shares from the Existing SEC Electric Shareholders to Tianjin Fuqing. Further details are set out in the Company's announcement dated 26 March 2021.

On 24 September 2021, Tianjin Fuqing, and the Other Beiqing Smart Shareholders entered into an agreement of reorganisation with SEC Electric and the Existing SEC Electric Shareholders under which:

- (i) SEC Electric will transfer all of its assets and liabilities (other than assets of SEC Electric that SEC Electric will not transfer to its subsidiary 無錫中電電機科技有限公司 (Wuxi SEC Electric Technology Co., Ltd.*) (the "Disposed SEC Electric Subsidiary") upon the completion of the Proposed Reorganisation (the "Retained Assets of SEC Electric") to the Disposed SEC Electric Subsidiary, and will use 60% of the equity interests of the Disposed SEC Electric Subsidiary to exchange for 3.11% of the equity interests held by Tianjin Fuqing in Beiqing Smart. Tianjin Fuqing will purchase the remaining 40% equity interests in the Disposed SEC Electric Subsidiary for cash consideration of RMB254,400,000;
- (ii) Tianjin Fuqing and the Other Beiqing Smart Shareholders will sell the Other Beiqing Smart interest, representing 96.89% of the equity interests in Beiqing Smart, to SEC Electric for RMB11,876,598,100, which will be satisfied by SEC Electric by way of the issuance of an aggregate of 1,175,900,807 new SEC Electric shares at the issue price of RMB10.10 per SEC Electric share to each of Tianjin Fuqing and the Other Beiqing Smart Shareholders; and
- (iii) the Existing SEC Electric Shareholders, will transfer 31,304,347 existing SEC Electric shares which held by them at the consideration of RMB12.19 per SEC Electric share, representing the 13.31% of the equity interests in SEC Electric to Tianjin Fuqing for the aggregate consideration of approximately RMB381,600,000, which will be satisfied by Tianjin Fuqing procuring SEC Electric to transfer 60% of the equity interests in the Disposed SEC Electric Subsidiary to the Existing SEC Electric Shareholders or the nominee designated by the Existing SEC Electric Shareholders. The Existing SEC Electric Shareholders will also acquire the remaining 40% of the equity interests in the Disposed SEC Electric Subsidiary from Tianjin Fuqing for a cash consideration of RMB254,400,000.

MATERIAL ASSETS REORGANISATION (CONTINUED)

Upon completion of the Proposed Reorganisation, Beijing Smart will become a wholly-owned subsidiary of SEC Electric and Tianjin Fuqing will become the controlling shareholder of SEC Electric holding approximately 68.55% of the equity interests of SEC Electric as enlarged by the allotment and issuance of the Consideration Shares, and the Existing SEC Electric Shareholders will hold the entire equity interest in the Disposed SEC Electric Subsidiary. Accordingly, SEC Electric will become an indirect non-wholly owned subsidiary of the Company focusing on the businesses of investment and development of photovoltaic power plants and wind power plants in the PRC.

On 25 February 2022, Tianjin Fuqing, Beijing Smart, the Other Beijing Smart Shareholders, the Existing SEC Electric Shareholders and SEC Electric entered into the Termination Agreement in relation to the Proposed Reorganisation, pursuant to which the parties have mutually agreed to terminate the Proposed Reorganisation. Upon the entering into of the Termination Agreement and save as agreed among the parties on the responsibilities for the payment of the expenses for professional services in relation to the Proposed Reorganisation incurred, the parties will be released from any rights and obligations under the agreements and documents entered into in relation to the Proposed Reorganisation.

As at the date of this report, the business operations of the Company remain normal. The Company will further evaluate its financial positions and the future development plan of the Group. Further details are set out in the Company's announcements dated 15 October 2021, 25 January 2022, 26 January 2022, 17 February 2022 and 25 February 2022.

CHARGE ON THE GROUP'S ASSETS

The secured bank loans and other borrowings and bills payables of the Group as at 31 December 2021 are secured by:

- (i) pledges over certain of the Group's property, plant and equipment and operating concessions;
- (ii) pledges over certain of the Group's trade receivables and contract assets;
- (iii) pledges over the Group's equity interests in certain subsidiaries and an associate;
- (iv) guarantees given by the Company and/or its subsidiaries; and/or
- (v) pledges over certain of the Group's bank balances.

Save as disclosed above, at 31 December 2021, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities (2020: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a(n) increase/decrease in the Group's net asset value. During the Year, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

Management Discussion and Analysis

31 December 2021

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed 2,283 employees (2020: 2,041 employees) with total staff cost of approximately HK\$226.3 million incurred for the Year (2020: approximately HK\$221.4 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES AND JOINT VENTURES

(a) On 26 March 2021, the Company, Tianjin Fuqing and Beiqing Smart, both being subsidiaries of the Company, entered into nine capital contribution agreements with the Fourth Round Investors, pursuant to which the Fourth Round Investors agreed to contribute new capital in the aggregate amount of RMB1,076.17 million in return for approximately 9.14% of the enlarged capital of Beiqing Smart. Immediately following the completion of the Fourth Round Capital Increase, Beiqing Smart will be held as to approximately 80.24% by Tianjin Fuqing. Beiqing Smart would continue to be accounted as a subsidiary of the Company. The Fourth Round Capital Increase constitutes a deemed disposal by the Company of its interests in Beiqing Smart. The Fourth Round Capital Increase has been completed during the Year.

On 17 September 2021, the Company, Tianjin Fuqing, 北京北控光伏科技發展有限公司 (Beijing Enterprises New Energy Company Limited*) and Beiqing Smart entered into supplemental agreements with the First Round Investors, the Second Round Investors, the Third Round Investor and the Fourth Round Investors under which the respective parties agreed to amend certain terms of the capital contribution agreements.

Further details are set out in the Company's announcements dated 26 March 2021 and 17 September 2021.

(b) On 16 April 2021, Beiqing Smart entered into an operating rights agreement with 連州市嘉潤投資發展有限公司 (Lianzhou City Jiarun Investment Development Co., Ltd.*) (the "Lianzhou Company") in relation to the transfer of the operating rights of 連州市潭嶺水電廠 (Lianzhou City Tanling Hydropower Plant*) (the "Hydropower Plant") to Beiqing Smart (the "Operating Rights Agreement"), pursuant to which the Lianzhou Company agreed to transfer the operating rights of the Hydropower Plant to Beiqing Smart (or its holding company) for a term of 20 years (from the date of transfer of the operating rights of the Hydropower Plant), subject to the obtaining of approval of the pumped-storage project. The basic operating fees payable by Beiqing Smart under the Operating Rights Agreement shall be approximately RMB41,020,000 per annum. Further details are set out in the Company's announcements dated 16 April 2021 and 30 April 2021.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

- (c) On 14 May 2021, 西藏多能共拓企業管理合夥企業(普通合夥)(Tibet Duoneng Gongtuo Enterprise Management Partnership Enterprise (General Partnership)*) (as the "Purchaser") (an indirect non-wholly owned subsidiary of the Company) and Great First entered into a target equity transfer agreement, pursuant to which the Purchaser agreed to acquire, and Great First agreed to dispose of, approximately 8.33% equity interest in 北控風力發電有限公司 (Beijing Enterprises Wind Power Generation Company Limited*) (as the "Target Company") at a consideration of RMB33,222,712 (the "Great First Target Equity Transfer"). On 14 May 2021, the Purchaser also entered into a target equity transfer agreement with each of Ningbo Junyuan and Super Bright (Hong Kong) Limited, ("Super Bright") respectively, pursuant to which the Purchaser agreed to acquire, and Ningbo Junyuan and Super Bright agreed to dispose of, an aggregate of approximately 11.88% equity interest in the Target Company at an aggregate of consideration of RMB47,520,726 (the "Ningbo Junyuan and Super Bright Target Equity Transfer"), (The Great First Target Equity Transfer and the Ningbo Junyuan and Super Bright Target Equity Transfer are collectively referred to as the "Target Equity Transfer").

The Target Equity Transfer has been completed during the Year. Upon completion of the Target Equity Transfers, the Purchaser will hold an aggregate of approximately 95.76% equity interest in the Target Company. The Target Company will continue to be a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated into the financial results of the Group. Further details are set out in the Company's announcement dated 14 May 2021.

- (d) For details of those acquisition and disposal transactions contemplated under material assets reorganisation are set out in the section headed "Material Assets Reorganisation".

Save as disclosed above, there were no significant investments, material acquisition and disposal of subsidiaries, associated companies and joint ventures by the Group for the Year.

Management Discussion and Analysis

31 December 2021

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Fluctuation in currency exchange rates

The Group primarily operates its businesses in the PRC and most of its transactions are mainly denominated in RMB. The value of RMB against HK\$ and other currencies may fluctuate and is affected by, among others, changes in the economic conditions and policies. The conversion of RMB into foreign currencies, including HK\$, has been based on rates as promulgated by the People's Bank of China. The Group monitors foreign exchange exposures and takes appropriate measures to mitigate and manage the risk on a timely and effective manner by, including but not limited to, raising debt financing denominated in RMB to match the currency of operating cash flows.

Liquidity risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due. During the Year, the Group steadily expanded the clean energy businesses, which require material funding in investment and development stages. In managing the liquidity risk, the Group, among others, (i) obtains long-term bank loans and other borrowings, issues perpetual capital instrument and corporate bond and introduced strategic capital investments in a subsidiary as detailed under the section headed "2.23 Liquidity and financial resources" in "Management Discussion and Analysis"; (ii) monitors and maintains an adequate level of cash and credit facilities; and (iii) timely monitors the settlements of receivables.

Policy risks

The Group's clean energy businesses are dependent on the relevant governmental support measures (including the preferential tax policies, subsidies and government grants, electricity generation dispatch priority, laws and regulations, etc.) for steady and healthy development. Although the Chinese government has been supportive to the growth of the clean energy businesses, it is possible that the existing governmental support measures will be modified. The Group will strictly adhere to the government measures and will closely monitor the policy planning to grasp the business opportunities and get understanding on the risks associated with the policy modifications in advance.

Other business risks

The risks and uncertainties on the Group's clean energy businesses, in particular the Photovoltaic Power Business and the Wind Power Business, also comprise (i) the risks on project performance; and (ii) grid curtailment risks. If any of these risks and uncertainties materialise, overall growth and profitability would be affected. In mitigating the risks on project performance, the Group places significant emphasis on, among others, (i) implementing effective investment due diligence, approval and review processes; (ii) monitoring and controlling the quality and performance of its assets and businesses; (iii) human capital and technical strengths; and (iv) relationships with customers and suppliers, in order to facilitate the positive development of these businesses. On the other hand, in mitigating the curtailment risks, the Group strategically focuses on developing the Photovoltaic Power Business and the Wind Power Business in regions which are well-developed with power transmission network and with stronger economy and electricity demand, and in general do not have curtailment issue.

CORPORATE SOCIAL RESPONSIBILITY

Environmental policies and performance

The Group is dedicated to environmental sustainability and combat climate change by strategically expanding into the Photovoltaic Power Business, the Wind Power Business, the Clean Heat Supply Business and other clean energy businesses, which offer clean energy and make valuable contributions to the widespread use of renewable energy. The Group is also committed to sustainable development of the environment, minimising the environmental impact of its operations by reinforcing environmental awareness and implementing measures for the responsible use of resources, energy saving and waste management.

Compliance with relevant laws and regulations

During the Year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Relationship with stakeholders

The Group recognises that stakeholders including employees, shareholders and investors, customers, suppliers and contractors, government entities, industry partners and community partners are the key to corporate sustainability and is keen on developing long-term relationships with these stakeholders. Some examples on supporting and communicating with the stakeholders include:

Management Discussion and Analysis

31 December 2021

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

Relationship with stakeholders (Continued)

- (a) Employees : The Company adheres to the core values of “being responsible, having values and being sharing” and places significant emphasis on human capital and strives to foster an environment in which the employees can develop to their fullest potential and can assist their personal and professional growth. The Company provides a fair and safe workplace, promotes diversity to our staff, and provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts on-going efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions.
- (b) Shareholders and investors : Details of which are set out in the section headed “Investor Relations – Communication with shareholders” in the “Corporate Governance Report” of this annual report.
- (c) Customers : The Group understands that it is important to maintain good relationship with customers and provide products in a way that satisfy their needs and requirements. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures for handling customers’ complaints to ensure customers’ complaints are dealt with in a prompt and timely manner.
- (d) Suppliers and contractors : The Group is dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stable supply of materials and timely delivery of construction works. We reinforce business partnerships with suppliers and contractors by on-going communication in a proactive and effective manner so as to ensure quality and timely delivery.

Environmental, social and governance report

Further details of the Group’s commitment and strategies to sustainability and the performance in environmental contributions, employee relations, supply chain management, occupational health and safety and social investments of the core businesses of the Group for the year ended 31 December 2021 are set out in the Group’s Environmental, Social and Governance Report for the year ended 31 December 2021, which will be published on the websites of the Company (www.bece.com.hk) and the Stock Exchange (www.hkexnews.hk) before the end of May 2022.

* For identification purposes only

DIRECTORS

Executive Directors

Mr. Zhang Tiefu (“Mr. Zhang”), aged 59, was appointed as an executive director of the Company in May 2021 and a Joint Chairman of the Board of the Company in July 2021. Mr. Zhang is also the Chairman of the Nomination Committee of the Company. Mr. Zhang was appointed as an executive director and a vice president of Beijing Enterprises Water Group Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (Stock Code: 00371) (“BEWG”), in April 2009. Mr. Zhang graduated from 吉林工學院 (Jilin Industrial Institute*) with a bachelor’s degree of engineering in 1983. He further studied business administration in 對外經濟貿易大學 (the University of International Business and Economics*) in 1998. Mr. Zhang has been awarded the titles of senior engineer and senior international finance manager. Mr. Zhang served as the senior manager in 中國印刷物資總公司 (China Nation Printing Materials Corporation*) in 1986. He joined Beijing Enterprises Holdings Limited as manager in 2001, and is concurrently acting the director and a general manager of 北京北控制水有限公司 (Beijing Bei Kong Water Production Co., Ltd.*) and a director of 北京燕京啤酒有限公司 (Beijing Yanjing Beer Co., Ltd.*). He has extensive experiences in economics, market development and corporate management.

Mr. Hu Xiaoyong (“Mr. Hu”), aged 57, was appointed as the Chairman of the Board and an executive director of the Company in May 2015, and he acted as a Joint Chairman of the Board of the Company in July 2021. Mr. Hu is also a member of the Remuneration Committee of the Company. Mr. Hu graduated from the Tsinghua University (清華大學) with an executive master degree of business administration. He has approximately 25 years’ experience in business management. From 2001 to 2013, Mr. Hu worked with 中科成環保集團有限公司 (Zhong Ke Cheng Environment Protection Group Company Limited*) as chairman. He was an executive director and the chief executive officer of BEWG, a company listed on the main board of the Stock Exchange (Stock Code: 00371), from August 2008 to March 2016. He has been appointed as the honorary chairman of BEWG since March 2016. From September 2014 to October 2018, he was an executive director of Beijing Health (Holdings) Limited (formerly known as Beijing Enterprises Medical and Health Industry Group Limited), a company listed on the main board of the Stock Exchange (Stock Code: 2389). In January 2019, Mr. Hu has been appointed as an independent non-executive director of China Resources Gas Group Limited, a company listed on the main board of the Stock Exchange (Stock Code: 1193).

Mr. Yang Guang (“Mr. Yang”), aged 58, was appointed as the Chief Executive Officer and an executive director of the Company in May 2021. Mr. Yang joined BEWG, a company listed on the main board of the Stock Exchange (Stock Code: 00371), in February 2012. He had been a development director and a senior vice president of BEWG. Mr. Yang graduated from 哈爾濱建築工程學院 (Harbin Institute of Civil Engineering and Architecture*) (now known as 哈爾濱工業大學 (Harbin Institute of Technology*)) with a bachelor’s degree of engineering in 1985. He was sent by the State Education Commission of the PRC to have further study in 日本電氣通信大學 (Japan University of Electro-Communications*) and obtained a doctorate degree in engineering in 1994. He had further studied in the School of Economics and Management of Tsinghua University in 2006 and obtained an executive master degree of business administration in 2008. Prior to joining BEWG, Mr. Yang previously served as an officer of the production management department of 日本電子通信株式會社 (Japan Electronics Communications Co., Ltd.*) in 1995 and as the senior management and chairman of 北京市電信規劃設計院 (Beijing Telecom Planning & Designing Institute*), 北京市電信實業集團 (Beijing Telecommunications Enterprises Group*) and 北京市電信房地產開發有限責任公司 (Beijing Telecommunications Real Estate Development Co., Ltd.*) from 2000 to 2012.

Directors and Senior Management

DIRECTORS (CONTINUED)

Executive Directors (Continued)

Mr. Shi Xiaobei (“Mr. Shi”), aged 46, was appointed as an executive director of the Company in May 2015, and was the Chief Executive Officer of the Company from May 2019 to May 2021. Mr. Shi graduated from the University of International Business and Economics (對外經濟貿易大學) with a bachelor’s degree of Economics in 1998 and obtained a degree of Master of Science in business administration from The University of British Columbia in 2003. He has approximately 18 years’ experience in the field of banking and investment services in Hong Kong and Mainland China. From 2003 to 2004, Mr. Shi joined Macquarie Group, which is a sizable worldwide personal bank, as a manager of Macquarie Service (Hong Kong) Ltd., one of the companies within the Macquarie Group. From 2004 to 2012, he was promoted to the president and the managing director of infrastructure, resources and general industrial business of Macquarie Investment Advisory (Beijing) Co., Ltd., a company within the Macquarie Group situated in the People’s Republic of China. Since 2012, Mr. Shi has worked with CITIC Private Equity Funds Management Co., Ltd. as the department head of the international investment department.

Mr. Tan Zaixing (“Mr. Tan”), aged 44, joined the Company in 2016 as the Vice President; and was appointed as an executive director of the Company in September 2019 and as the Chief Operating Officer of the Company in July 2020. Mr. Tan graduated from the China University of Petroleum (Beijing) with a bachelor’s degree in petroleum engineering, and he also obtained a master degree in business administration from the China University of Petroleum (Beijing). Mr. Tan has extensive experience and knowledge in clean energy investment and corporate management. Mr. Tan joined the China Development Bank in 2002, and he served as the deputy head of the second division of the first evaluation and review bureau in 2007, worked as a senior economist in 2009, and acted as the head of the seventh division of the first evaluation and review bureau in 2012. During his service at the China Development Bank, Mr. Tan committed to energy project development and assessment. He has presided over more than 100 energy projects, involving a power generation installed capacity of 50 million kilowatts, a coal production capacity of 30 million tonnes per annum, a crude oil import volume of more than 20 million tonnes per annum, a natural gas import volume of 10 billion cubic meters per annum, with a committed line of credit of more than RMB900 billion. He was the first head of the new energy division of the China Development Bank, which promoted the increase of the bank’s loans granted to wind power, photovoltaic power and biomass power assets from less than RMB20 billion to RMB300 billion within five years, accounting for more than 30% of bank financing across the whole industry.

Ms. Huang Danxia (“Ms. Huang”), aged 49, was appointed as an executive director of the Company in September 2019. Ms. Huang graduated from the College of Economics of Jinan University (Guangzhou) with a bachelor’s degree of Economics and obtained a master degree of business administration from the Murdoch University, Australia. Ms. Huang has extensive experience and knowledge in finance, investment and mergers and acquisitions. She previously served as the executive vice president of 北京千方科技集團有限公司 (China Transinfo Technology Group Company Limited*) from 2006 to 2013 and an executive director and the general manager of 北京簡石投資管理有限公司 (Beijing Natural Stone Investment Management Co., Ltd.*) from 2014 to 2016; and currently serves as the assistant to president of 啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*), the senior vice president of 北京啟迪清潔能源科技有限公司 (Beijing Tus Clean Energy Technology Company Limited*) and the assigned representative of the managing partner of 啟迪簡石清潔能源投資管理中心 (有限合夥) (Tus Natural Stone Clean Energy Investment Management Centre (Limited Partnership)*).

DIRECTORS (CONTINUED)

Independent Non-executive Directors

Mr. Li Fujun (“Mr. Li”), aged 58, was appointed as an independent non-executive director of the Company in July 2016. Mr. Li is also the chairman of the Audit Committee and a member of the Nomination Committee of the Company. He holds a bachelor’s degree in engineering from the Tsinghua University and a master degree in economics from the University of International Business and Economics. Mr. Li is a CFA charterholder and has over 30 years of experience in project evaluation and strategic planning, investment analysis and engineering work, as well as project management and investment. Mr. Li was an executive director of Towngas China Company Limited (Stock Code: 1083) from January 2001 to March 2007, a director of 眾安在綫財產保險股份有限公司 (ZhongAn Online P & C Insurance Co., Ltd.) (Stock Code: 6060) from October 2013 to January 2017 and the chief financial officer of Sinolink Worldwide Holdings Limited (Stock Code: 1168) from October 2007 to September 2014, all of these companies are listed on the main board of the Stock Exchange. Prior to joining the Company, Mr. Li was the managing director of 君橋資本有限公司 (Noble Bridge Capital Limited*).

Mr. Xu Honghua (“Mr. Xu”), aged 55, was appointed as an independent non-executive director of the Company in May 2015. Mr. Xu is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He has approximately 33 years’ experience in the fields of the power generation. Mr. Xu graduated from the Tianjin University with a master’s degree of engineering in power system and automation in 1988. He had been appointed by the Institute of Electrical Engineering (電工研究所), Chinese Academy of Sciences (“CAS”) as a research fellow in 1999. He was the former deputy director of the Institute of Electrical Engineering (電工研究所), CAS. Currently, Mr. Xu is the president of 北京科諾偉業科技股份有限公司 (Beijing Corona Sciences & Technology Co. Ltd.*) and the president of 保定科諾偉業控制設備有限公司 (Baoding Corona Control Equipment Co., Ltd.*). Mr. Xu is the researcher of the Institute of Electrical Engineering, the officer of Beijing Key Laboratory of Solar Power Technology (北京市太陽能發電技術重點實驗室) and the vice chairman of Chinese Renewable Energy Society (中國可再生能源學會). In addition, Mr. Xu was a member of the Advisory Committee of Energy Experts for National Energy Administration (國家能源專家諮詢委員會), the member of expert team for solar and wind power generation in the 10th Five-year Plan, 11th Five-year Plan and 12th Five-year Plan, the leader of the expert team for the 863 key project and the vice president of the National Technical Committee for Standardisation of Wind Machinery* (全國風力機械標準化技術委員會) and the leader of the expert team for renewable energy and hydrogen energy technology in the 13th Five-year Plan.

In 2007, Mr. Xu was selected as a national candidate for the New-Century BaiQian-Wan Talent Project* (新世紀百千萬人才工程國家級人選). Mr. Xu also received multiple awards including the Best New Talent Award* (最佳新人獎) by World Wide Fund for Nature Beijing office in 2009, the Special Contribution Award by Photovoltaic Professional Committee of China Renewable Energy Society and the honorary title of “National Advanced Individual for Science Popularisation* (全國科普工作先進工作者)” in 2010, the First Class Prize for Scientific and Technological Progress of Hebei Province issued by The People’s Government of Hebei Province in 2012, the Third Class Prize for National Energy Technology Progress in 2013, the Scientific Figure Award of the Third Capital Technology Celebration* (第三屆首都科技盛典人物獎) in 2014 and the title of leading talents for science and technology entrepreneurship* (科技創業領軍人才) in the third batch of national “Manpower Planners* (萬人計劃)” in 2017 and the Second Class Prize for National Award for Science and Technology Progress in 2019.

Since 1988, Mr. Xu has been involved in the research and/or projects of wind power, photovoltaic and hybrid power generation systems, including grid-connected and off-grid solar photovoltaic power plants and the technologies on wind/photovoltaic-integrated power plant systems, electrical control over wind turbines and remote monitoring, control over photovoltaic power generation systems and tracking. Mr. Xu has also engaged in the research and/or projects of the economic and policies on renewable energy technology. He has been in charge of and completed a number of national technology projects, with numerous reports and publications on renewable energy.

Directors and Senior Management

DIRECTORS (CONTINUED)

Independent Non-executive Directors (Continued)

Mr. Chiu Kung Chik (“Mr. Chiu”), aged 37, was appointed as an independent non-executive director of the Company in July 2016. Mr. Chiu is also the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Chiu graduated from the University of Chicago with a bachelor’s degree in economics. Mr. Chiu has extensive experience and knowledge in investment banking, including capital financing, corporate restructuring for public and private companies, merger and acquisition, complex transaction structuring etc. From 2008 to 2015, Mr. Chiu worked with UBS AG in the investment banking department in its Hong Kong office, primarily focusing on advising large scale corporate clients on their capital market activities. During the aforesaid time, he had completed a number of high-profile transactions with over US\$20 billion in total transaction value. He is currently an independent non-executive director of China Fortune Financial Group Limited, a company listed on the main board of the Stock Exchange (Stock Code: 290).

* For identification purposes only

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2021.

The Company's corporate governance policies and practices are applied and implemented in the manners as stated in the below Corporate Governance Report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Group strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Group. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard the interests of the Company and the shareholders as a whole. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for shareholders.

In the opinion of the Board, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the year ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2021.

BOARD OF DIRECTORS

Role and delegation

The Board is responsible for the leadership and directing and supervising the Group's businesses to enable the long term success of the Group, formulating corporate strategies, strategic goals and strategic decisions, and overseeing and evaluating the Group's performance. The Board reserves for its decision on all major matters of the Group, including the approval and monitoring of all material acquisitions and disposals, material contracts, notifiable and/or connected transactions, appointment or reappointment of Directors and the financial performance in pursuit of its strategic goals.

The Board is also responsible for the developing and reviewing the appropriate corporate governance practices applicable to the Company's circumstances and ensuring processes and procedures are in place to achieve the Company's corporate governance objectives.

The Board has delegated the leadership and day-to-day operations of the Group to the chief executive officer (the "Chief Executive Officer") and the management of the Group. Besides, the Board has delegated certain functions to the Company's audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"), further details of which are set out in this report.

All Directors are required to discharge their responsibilities as directors of the Company. All Directors have timely access to all relevant information of the Company and the advice of the management. Any Director may also seek independent professional advice in appropriate circumstances at the Company's expenses upon reasonable request made to the Board.

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Composition

As at the date of this annual report, the Board consists of nine Directors comprising six executive Directors, namely, Mr. Zhang Tiefu (Joint Chairman) (appointed on 21 May 2021 and as Joint Chairman on 29 July 2021), Mr. Hu Xiaoyong (Joint Chairman) (appointed as Joint Chairman on 29 July 2021), Mr. Yang Guang (Chief Executive Officer) (appointed on 21 May 2021 and as Chief Executive Officer on 21 May 2021), Mr. Shi Xiaobei (resigned as Chief Executive Officer on 21 May 2021), Mr. Tan Zaixing and Ms. Huang Danxia; and three independent non-executive Directors, namely, Mr. Li Fujun, Mr. Xu Honghua and Mr. Chiu Kung Chik.

The Board has met the requirements of Rule 3.10 of the Listing Rules of having at least three independent non-executive Directors (representing at least one-third of the Board). In addition, Mr. Li Fujun, an independent non-executive Director, has the appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The biographical details of the Directors are set out in the section headed “Directors and Senior Management” in this annual report. Directors have disclosed their number and nature of offices held in public companies or organisations and other significant commitments in their biographies. They are also reminded to notify the Company of any change of the information in a timely manner. Besides, Mr. Hu Xiaoyong, Mr. Shi Xiaobei and Mr. Tan Zaixing, the executive Directors, currently serve as directors of certain subsidiaries of the Group. Except for the relationships (including financial, business, family, and other material and relevant relationships) as detailed in the biographies of the Directors set out on pages 39 to 42 of this annual report, there are no other relationships among the Board members to the best knowledge of the Board as of the date of this annual report.

Joint Chairmen and Chief Executive Officer

Currently, the joint chairmen of the Board (the “Joint Chairmen”) are Mr. Zhang Tiefu and Mr. Hu Xiaoyong and the Chief Executive Officer is Mr. Yang Guang. The roles of the Joint Chairmen and the Chief Executive Officer are clearly defined and segregated to ensure independence and accountability of their respective functions and balanced distribution of power and authority between them.

The Joint Chairmen have executive responsibilities, provide leadership to, and oversee the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. Mr. Zhang Tiefu primarily focus on the daily operations and management of the Group; while Mr. Hu Xiaoyong primarily focus on the strategic planning and the development of corporate culture of the Group. With the support of the executive Directors and the company secretary, the Joint Chairmen seek to ensure that all Directors are properly briefed on issues arising at Board meetings and are provided with adequate and accurate information in a timely manner. The Joint Chairmen promote a culture of openness and actively encourage Directors to voice their opinion and be fully engaged in the Board’s affairs so as to contribute to the Board’s effective functioning. The Board, under the leadership of the Joint Chairmen, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders as outlined later in this report.

The Chief Executive Officer, leading the Group’s management, is accountable to the Board for the overall implementation of the Company’s strategies and the management of the operations of the Group.

BOARD OF DIRECTORS (CONTINUED)

Independent non-executive Directors

The Board considers that the independent non-executive Directors can provide independent advices and exercise independent judgement on the Company's business strategies, performance, management, performance reporting and connected transactions (if any) so as to safeguard the interests of the Company and its shareholders.

The Company has received a written annual confirmation from each of the independent non-executive Directors confirming his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Corporate governance functions

The Board has undertaken the responsibility for performing the corporate governance duties of the Company including:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management on corporate governance matters;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
- (v) to review the Company's compliance with the CG Code and disclosures in the Company's Corporate Governance Report.

Nomination policy and Board diversity

The Board has adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and procedures of appointment and re-appointment of a Director. The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the shareholders for election as Directors at general meetings or appoint as additional Directors to the Board or Directors to fill casual vacancies in accordance with the Nomination Policy. In the nomination process, the Nomination Committee shall consider candidates from a wide variety of backgrounds, identify and nominate potential candidates and makes recommendations for the Board's consideration and approval.

When assessing the suitability of a proposed candidate for directorships, the Nomination Committee shall consider the following factors:

- accomplishment and experience in the industry, in particular, in the clean energy segment;
- reputation for integrity;
- commitment in respect of available time and relevant interest;
- merit and contribution will bring to the Board;
- contribution to diversity of the Board; and
- in the case of independent non-executive Directors, the independence of the candidate.

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

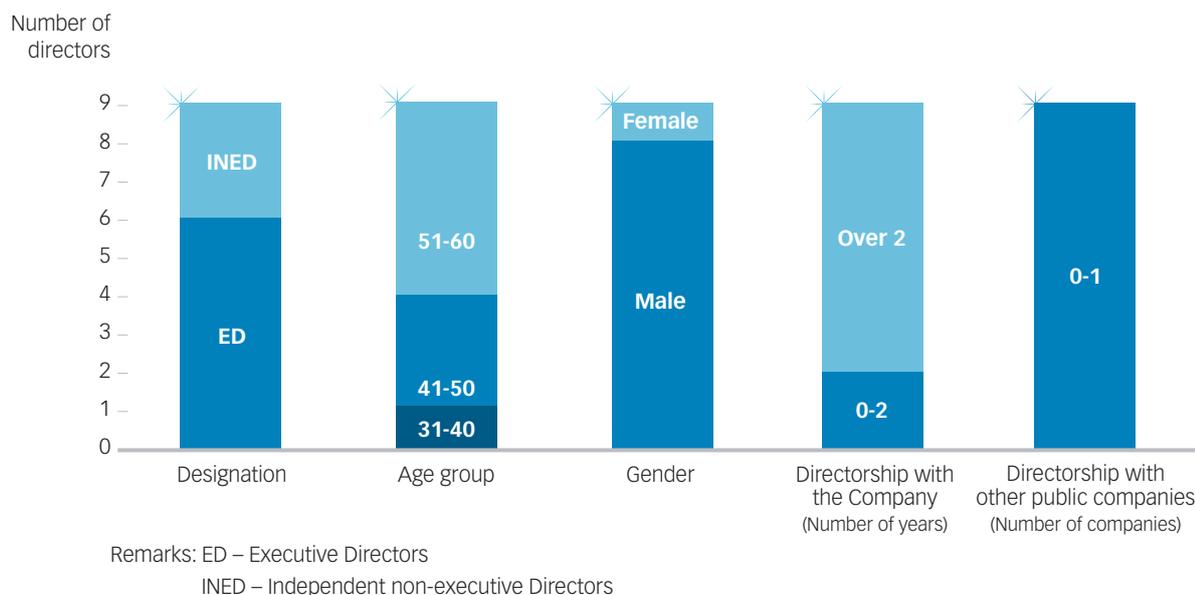
Nomination policy and Board diversity (Continued)

The above factors are for reference only, and not meant to be exhaustive and conclusive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

The Board also adopted a Board diversity policy (the “Board Diversity Policy”) formulated by the Company in accordance with the requirements of the Listing Rules. It aims to set out the approach to achieve diversity on the Board. The Board endeavours to ensure that it has a balance of skills, experience and diversity of perspectives which are appropriate to the requirements of the Group’s business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, nationality and ethnicity, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Board Diversity Policy and the Nomination Policy from time to time to ensure the continued effectiveness of such policies.

As at the date of this annual report, there are nine Directors with extensive experience and/or professional backgrounds to formulate and give direction of the Group’s corporate strategies and business development. The composition, experience and balance of skills on the Board are regularly reviewed by a core of members with longstanding and deep knowledge of the Group alongside new Directors who bring fresh perspectives and diverse experiences to the Board. The process for the nomination of Directors is led by the Nomination Committee.

The illustration of the Board diversity as at 31 December 2021 is shown below while the detailed biographies (including their roles, function, skills and experience) are set out in this annual report under the section headed “Directors and Senior Management”.



The Board believes that its composition is well balanced with a strong independent element on the Board; and it has a balance of skills, knowledge, experience and diversity of perspectives appropriate to the requirements of the Group’s business.

BOARD OF DIRECTORS (CONTINUED)

Tenure

In accordance with the articles of association of the Company (the "Articles of Association"), all Directors are subject to retirement by rotation. At each annual general meeting, one-third of the Directors for the time being, or, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election. Any Director appointed by the Board to fill casual vacancy shall hold office only until the first general meeting after appointment. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company.

All Directors (including the independent non-executive Directors) had entered into the letters of appointment or service agreements (as the case may be) with the Company for a term of three years subject to retirement from office by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

Directors' induction and continuous professional development

Upon appointment to the Board, each newly appointed Director would receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company, as well as an introduction on the business, operations and development of the Group.

The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable statutory and regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Besides, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of reading materials. Guidance notes and memorandum are issued to Directors where appropriate, to ensure awareness of best corporate governance practices.

According to the records maintained by the Company, the Directors received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirements of the CG Code on continuous professional development during the Year:

Name of Directors	Corporate Governance/ Updates on laws, rules & regulations	
	Reading materials	Attended seminars/briefings
Executive Directors		
Mr. Zhang Tiefu (<i>Joint Chairman</i>) (<i>appointed on 21 May 2021</i>)	–	✓
Mr. Hu Xiaoyong (<i>Joint Chairman</i>)	✓	✓
Mr. Yang Guang (<i>Chief Executive Officer</i>) (<i>appointed on 21 May 2021</i>)	–	✓
Mr. Shi Xiaobei	✓	✓
Mr. Tan Zaixing	✓	✓
Ms. Huang Danxia	✓	✓
Independent non-executive Directors		
Mr. Li Fujun	✓	✓
Mr. Xu Honghua	✓	✓
Mr. Chiu Kung Chik	✓	✓

Corporate Governance Report

BOARD COMMITTEES

The Board has established three Board committees to strengthen its functions and corporate governance practices, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee. The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific roles in accordance with their respective written terms of reference. The terms of reference of these committees stipulating their respective authorities and responsibilities are available on the Company's website.

Audit Committee

The Audit Committee comprises all three independent non-executive Directors, namely Mr. Li Fujun (chairman), Mr. Xu Honghua and Mr. Chiu Kung Chik.

The Audit Committee is mainly responsible for considering all relationships between the Company and the external auditor (including the provision of non-audit services), monitoring the integrity of the Company's financial statements and issues arising from the audit, and reviewing independently the effectiveness of the Group's financial reporting system, risk management and internal control systems whereby the Board had delegated such responsibility to the Audit Committee.

The meetings of the Audit Committee shall be held at least twice a year and when necessary. During the Year, the Audit Committee had held two meetings during which the Audit Committee has performed the following major works:

- reviewed the annual audit service plan of the external auditor in relation to the results of the Group for the year ended 31 December 2020;
- reviewed the results announcements and the financial statements for the year ended 31 December 2020 and for the six months ended 30 June 2021 respectively;
- reviewed the continuing connected transactions of the Group;
- considered and approved the audit work of the external auditor and monitored its independence and objectivity;
- reviewed the business and financial performance of the Company;
- reviewed the effectiveness of the Company's financial reporting system, internal audit function, risk management and internal control systems; and
- made recommendation to the Board to put forward a resolution in respect of the reappointment of external auditor at the annual general meeting of the Company.

The attendance of each member of the Audit Committee is set out in the section headed "Board and Board Committees Meetings" of this report.

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

Auditor's remuneration

The Audit Committee is also responsible for reviewing the non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company.

The remuneration paid or payable to the external auditor of the Company during the Year are set out as below:

Services rendered for the Group	HK\$' million
Audit services	5.8
Non-audit services*	1.8
Total	7.6

* Such services included, among others, the agreed-upon procedures engagements for the Group's interim report, results announcements review, compliance review relating to continuing connected transactions, consent letter relating to assurance engagement other than audits or reviews of historical financial information and tax advisory services.

The Audit Committee is satisfied that the non-audit services in 2021 did not affect the independence of the external auditor.

Nomination Committee

The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Zhang Tiefu (chairman), Mr. Li Fujun and Mr. Xu Honghua.

The Nomination Committee is responsible for, among other things, reviewing the structure, size and composition of the Board; and formulating policy and making recommendations to the Board on nominations, appointment and re-appointment of Directors and Board succession with reference to the Company's Nomination Policy and Board Diversity Policy from time to time.

The meeting of the Nomination Committee shall be held at least once a year and when necessary. During the Year, the Nomination Committee had held three meetings during which the Nomination Committee has performed the following major works:

- considered and made recommendations to the Board on the appointment of Mr. Zhang Tiefu and Mr. Yang Guang as executive Directors, the appointment of Mr. Zhang Tiefu and Mr. Hu Xiaoyong as Joint Chairmen, and the change of Chief Executive Officer;
- considered and made recommendations to the Board on the change of members of Nomination Committee and Remuneration Committee respectively;
- made recommendations to the Board on the re-appointment of the retiring Directors at the annual general meeting of the Company;
- reviewed the size, structure and composition (including the skills, knowledge, experience and diversity) of the Board;
- reviewed the Nomination and Board Diversity Policy to complement the Group's corporate strategy; and
- assessed the independence of independent non-executive Directors.

The attendance of each member of the Nomination Committee is set out in the section headed "Board and Board Committees Meetings" of this report.

Corporate Governance Report

BOARD COMMITTEES (CONTINUED)

Remuneration Committee

The Remuneration Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Chiu Kung Chik (chairman), Mr. Hu Xiaoyong and Mr. Xu Honghua.

The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of Directors and senior management with the Board retaining the final authority to approve Directors' and senior management's remuneration.

It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals. The remuneration packages are made reference to, among others, the corporate goals, the prevailing market rate, duties, responsibilities and performance of the individual and the results of the Group. No Director is involved in decision of his/her own remuneration.

The meeting of the Remuneration Committee shall be held at least once a year and when necessary. During the Year, the Remuneration Committee had held four meetings during which the Remuneration Committee has performed the following major works:

- made recommendation to the Board a salary payment from 1 January 2019 to 30 June 2021 to Mr. Hu Xiaoyong;
- Reviewed the terms of service agreements and remuneration packages of Mr. Zhang Tiefu and Mr. Yang Guang respectively;
- made recommendation to the Board the remuneration package and a discretionary bonus payment of Mr. Zhang Teifu, Mr. Hu Xiaoyong, Mr. Yang Guang and Mr. Tan Zaixing respectively;
- reviewed the remuneration policy and structure of the Company;
- reviewed the remuneration packages for executive Directors and senior management of the Company; and
- reviewed the remuneration of the independent non-executive Directors.

The attendance of each member of the Remuneration Committee is set out in the section headed "Board and Board Committees Meetings" of this report.

BOARD AND BOARD COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee, the annual general meeting and the extraordinary general meeting held during the Year are set out below:

Name of Directors	Meetings attended/held				Annual General Meeting	Extraordinary General Meeting
	Board	Audit Committee	Nomination Committee	Remuneration Committee		
Executive Directors						
Mr. Zhang Tiefu (<i>Joint Chairman</i>) ¹	2/3 ⁵	–	0/0	–	1/1	1/1
Mr. Hu Xiaoyong (<i>Joint Chairman</i>) ²	11/13 ⁵	–	3/3	0/1 ⁶	1/1	1/1
Mr. Yang Guang (<i>Chief Executive Officer</i>) ³	2/3 ⁵	–	–	–	1/1	1/1
Mr. Shi Xiaobei ⁴	12/13	–	–	3/3	1/1	1/1
Mr. Tan Zaixing	12/13 ⁵	–	–	–	0/1	1/1
Ms. Huang Danxia	13/13	–	–	–	0/1	0/1
Independent non-executive Directors						
Mr. Li Fujun	12/13	2/2	3/3	–	1/1	1/1
Mr. Xu Honghua	12/13	2/2	3/3	4/4	0/1	0/1
Mr. Chiu Kung Chik	12/13	2/2	–	4/4	1/1	1/1

Notes:

- appointed as an Executive Director on 21 May 2021 and appointed as the chairman and a member of Nomination Committee on 29 July 2021.
- ceased as the chairman and a member of Nomination Committee on 29 July 2021, and appointed as a member of Remuneration Committee on 29 July 2021.
- appointed as an Executive Director on 21 May 2021.
- ceased as a member of Remuneration Committee on 29 July 2021.
- Mr. Zhang Tiefu, Mr. Hu Xiaoyong, Mr. Yang Guang and Mr. Tan Zaixing did not attend Board meeting(s) at which each of remuneration package and a discretionary bonus payment were considered.
- Mr. Hu Xiaoyong did not attend the Remuneration Committee meeting at which his remuneration package and a discretionary bonus payment were considered.

During the Year, the Joint Chairmen held one meeting with the independent non-executive Directors, without the executive Directors present.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2021, the Directors have selected suitable accounting policies and applied them consistently (except for the adoption of revised standards, amendments to standards and interpretation); adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditor, is set out on pages 79 to 83 of the "Independent Auditor's Report" in this annual report.

Corporate Governance Report

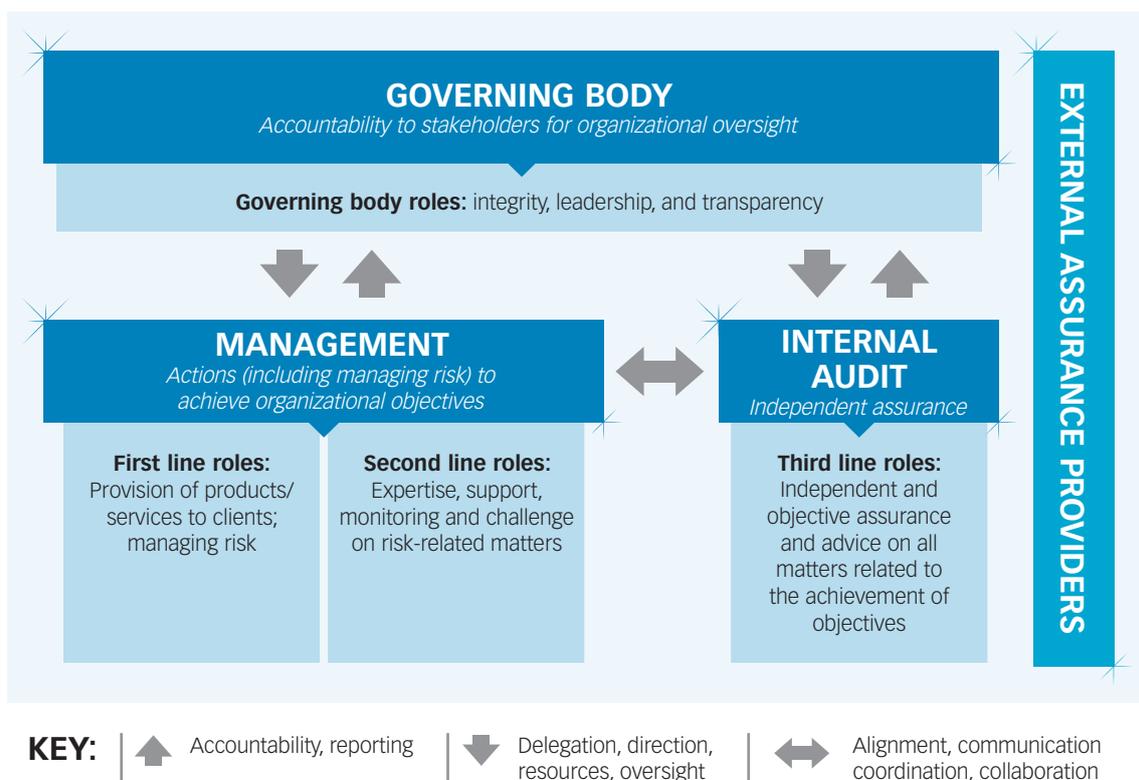
RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for overseeing the risk management and internal control systems on an on-going basis, and reviewing the effectiveness of the Group’s risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls, to ensure that the systems in place are adequate and effective, so as to achieve business sustainability of the Group and safeguard the interests of the shareholders of the Company and the assets of the Group.

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 structures and processes and effective risk management and internal control systems. The 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.

The Board has delegated to the management the design, implementation and monitoring of the risk management and internal control systems on an on-going basis. The Audit Committee has been delegated with overseeing and reviewing the effectiveness of the risk management and internal control systems of the Group.

During the Year, the Group’s risk governance structure has been upgraded from “Three Layers + Three Lines of Defence” model to “Three Lines Model”. It is believed that such a change could help the Group to identify structures and processes that best assist the achievement of the Group’s objectives, while facilitating strong governance and risk management to cope with the emerging business environment. The following diagram illustrates the Group’s risk governance framework:



RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Governing body : The Board maintains primary accountability to provide organisation oversight through integrity, leadership and transparency. It delegates the Audit Committee the responsibility to overseeing and reviewing the effectiveness of the risk management and internal control systems of the Group.

The Board also delegates the responsibility, and provides resources, to the management for strategy execution and to achieve the Group's objectives, while legal, regulatory and ethical expectations are met.

Management : The responsibility of management is to achieve the Group's objectives. Such responsibility comprises both first and second line roles.

First line roles of management

First line roles (e.g. the management from each business centre and supporting department) have to lead, direct and support operations to achieve the Group's objectives, to manage risk and to ensure compliance with legal, regulatory and ethical expectations. It has to establish and maintain appropriate structures, processes and internal controls for the management of operations and risk. It also has to maintain a continuous dialogue with the governing body and report on outcomes and risks associated with the Group's objectives and business operations.

Second line roles of management

Second line roles (e.g. the risk control and legal centre) provides complementary expertise, support, monitoring and challenge to those with first line roles and risk management-related areas, including the development, implementation and continuously improvement of the risk management practices of the Group at all levels; and the achievement of risk management objectives. It also has to provide analysis and reports on the adequacy and effectiveness of risk management and internal control systems.

Internal audit : The audit and supervision department, as the third line roles, is accountable to the governing body and independence from the responsibility of management. It is provided with sufficient resources and has unfettered access to people and data needed to complete its work.

It provides independent and objective assurance and advice to management and governing body on the adequacy and effectiveness of governance, risk management and internal control systems. It will report its findings, recommendations and remedial measures to management and the governing body to promote and facilitate continuous improvement and rectify the deficiencies.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Within this framework, an on-going process has been established for identifying, evaluating and managing the significant risks faced by the Group. The process involves:

- (i) Risk Identification: identify risks that may potentially affect the Group's businesses and operations;
- (ii) Risk Evaluation: consider the impact on the business and the likelihood of their occurrence; and
- (iii) Risk Management: perform on-going and periodic monitoring of the risks and ensure that appropriate internal control processes are in place.

The Audit and Supervision Department performs the internal audit function and assists the Board to set up effective policies and guidelines for risk management and internal controls, and is responsible for the regular review on the execution of these policies and guidelines.

The Audit and Supervision Department has conducted an assessment in respect of the risk management and internal controls of the Group for the year ended 31 December 2021 and reported the review results to the Audit Committee. All major findings were also communicated to senior management of the respective business units or departments to enforce the remediation.

In addition, the Company may engage independent consultants to conduct review of the internal control system and risk management of the Group as and when necessary.

The Board, through the Audit Committee, has conducted a review on the Group's risk management and internal control systems which covered financial, operational, compliance procedural and risk management functions and internal control matters identified by the Audit and Supervision Department. It also conducts review on the internal audit functions with particular emphasis on the scope and quality of management's on-going monitoring of risks and of the internal control systems and the works of the Audit and Supervision Department. During the annual review, the Audit Committee also considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Based on the assessment and information made by the Audit and Supervision Department and the management, the Audit Committee considered that the risk management and internal control systems of the Group of the reporting year are effective and adequate.

Whistleblowing

The Group has established whistleblowing procedures and reporting channel for employees to raise concerns to the Audit and Supervision Department when they identify any possible improprieties within the Group. The identity of the whistleblower will be kept in the strictest confidence.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Inside information

The Company has taken appropriate measures to identify inside information and preserve its confidentiality until proper dissemination via the electronic publication system operated by the Stock Exchange. Every senior management of the Company 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 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.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 8 and 9 to the financial statements in this annual report, respectively.

COMPANY SECRETARY

Ms. So Hiu Wa resigned, and Mr. Cheung Chin Wa ("Mr. Cheung") has been appointed as the company secretary of the Company (the "Company Secretary") with effect from 21 May 2021. Mr. Cheung is a full time employee of the Company and has complied with the relevant professional training required under Rule 3.29 of the Listing Rules during the Year.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting ("EGM") by shareholders

Pursuant to article 64 of the Articles of Association, the Board may whenever it thinks fit call an EGM. EGM shall also be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders of the Company may at any time send their enquiries to the Board for the attention of the Company Secretary via email (ir@bece.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at Rooms 6706-6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders of the Company may also make enquiries with the Board at general meetings of the Company.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (CONTINUED)

Procedures for putting forward proposals at shareholders' meetings

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

1. A shareholder of the Company shall validly serve on the Company Secretary his/her written and signed notice of intention to propose a resolution at the AGM/EGM.
2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at Rooms 6706-6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
3. The period for lodgement of the foregoing notices required under the Articles of Association shall commence on the day after the despatch of the notice of the AGM/EGM and end no later than 7 days prior to the date of the AGM/EGM and such period shall be at least 7 days.
4. The notice will be verified with the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to consider to include the proposed resolutions in AGM/EGM.

Shareholders of the Company may take reference to the procedures made available under the "Corporate Governance" section ("Procedures for Shareholders to Propose a Person for Election as a Director") of the Company's website.

INVESTOR RELATIONS

Communication with shareholders

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

During the Year, the Company has proactively taken the following measures to ensure effective shareholders' communication and enhance our transparency:

1. maintained frequent contacts with institutional shareholders and potential investors through various channels such as meetings, telephone and emails; and
2. updated regularly the Company's news and developments through the Company's website.

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

Constitutional documents

At the extraordinary general meeting held on 29 July 2021, the Memorandum and Articles of Association was amended by the approval of the shareholders of the Company. An up-to-date consolidated version of the Memorandum and Articles of Association of the Company is available on both the websites of the Company and the Stock Exchange.

INVESTOR RELATIONS (CONTINUED)

Dividend Policy

The objective of the Company's dividend policy (the "Dividend Policy") is to allow shareholders of the Company to participate in the Company's profits, while also ensuring that adequate reserves are retained for future prospects of the Group. According to the Dividend Policy, in deciding whether to declare or recommend any dividend distribution, the Board shall take into account, including but not limited to, the following factors:

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- the level of the Group's debts to equity ratio, return on equity, contractual restrictions and relevant financial covenants;
- taxation considerations;
- general economic conditions, business cycle of the Group's businesses and other internal or external factors that may have an impact on the businesses or financial performance and position of the Group;
- statutory and regulatory restrictions; and
- other factors that the Board deems relevant.

Any declaration and payment of dividend shall remain to be determined at the discretion of the Board and subject to the compliance with all applicable laws and regulations including the laws of the Cayman Islands and the Articles of Association.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses in the mainland (the “Mainland China”) of the People’s Republic of China (the “PRC”). Details of the principal activities of the Company’s principal subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

A discussion and review on the business activities of the Group, including an indication of likely future development in the Group’s businesses and an analysis of the Group’s performance during the Year using financial key performance indicators are provided in “Chairman’s Statement” on pages 4 to 9 and sections headed “Business Review” and “Financial Performance” under “Management Discussion and Analysis” on pages 10 to 31 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 46 to the financial statements. Description of principal risks and uncertainties that the Group may be facing, environmental policies and performance of the Group, compliance with relevant laws and regulations which have a significant impact on the Group and relationship with stakeholders are set out in “Management Discussion and Analysis” on pages 36 to 38 of this annual report. These discussions form part of this report.

RESULTS AND DISTRIBUTIONS

The Group’s results for the year ended 31 December 2021 and the Group’s financial position at that date are set out in the financial statements on pages 84 to 195 of this annual report.

The Board does not recommend the payment of dividend for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 7 June 2022 (the “AGM”), the register of members of the Company will be closed from Tuesday, 31 May 2022 to Tuesday, 7 June 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 30 May 2022.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group as at 31 December 2021 and for the last four financial years, as extracted from the published audited financial statements of the Company and adjusted for the change of presentation currency, is set out on page 196 of this annual report. This summary does not form part of the audited financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2021 are set out in note 1 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year, together with the reasons therefor, are set out in note 33 to the financial statements.

DEBENTURE ISSUED

As at 31 December 2021, the outstanding principal amount of the perpetual capital instrument issued by the Company was RMB1,000,000,000 with fixed interest rate of 6.50% per annum to be payable for first three years. Upon the maturity for first three years, the Company has a right to choose to extend a further three years. Unless and until the Company chooses to repay the outstanding principal amount with accrued interest in full, the Company shall have a right of extension of the maturity date for a cycle of every three years. The holders of the instrument shall not be entitled to sell back the instrument to the Company. The Company redeemed all of the perpetual capital instrument issued in 2018 (the "Perpetual Capital Instrument") by the Company with the amount of RMB1,000,000,000 plus accrued distributions payments which was paid.

As at 31 December 2021, the outstanding principal amount of the First Corporate Bond issued by the Company was RMB500,000,000, with maturity date on 6 December 2022 and interest rate at 5.99% per annum. One year prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of the First Corporate Bond and the bondholders shall be entitled to sell back the First Corporate Bond to the Company. In December 2021, the Company redeemed the principal amount of RMB460,000,000 from the bond holders, the remaining portion of the principal amount of RMB40,000,000 will be repayable on 6 December 2022 and classified as current liabilities as at 31 December 2021.

As at 31 December 2021, the outstanding principal amount of the Second Corporate Bond issued by the Company was RMB900,000,000, with maturity date on 29 April 2023 and interest rate at 5.50% per annum. One year prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of the Second Corporate Bond and the bondholders shall be entitled to sell back the Second Corporate Bond to the Company.

The proceeds from the issuance of the Perpetual Capital Instrument and the Corporate Bonds were used for repayment of certain of the Group's indebtedness, capital injection to the project companies and/or for the Group's general working capital.

Details of the Perpetual Capital Instrument and the Corporate Bonds are included in notes 36 and 31, respectively, to the financial statements.

EQUITY-LINKED AGREEMENTS

Save as the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" of this report and "Share Option Scheme" in note 34 to the financial statements respectively, no equity-linked agreement was entered into by the Company during the Year or subsisted at the end of the year.

Report of the Directors

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

Save as disclosed above in the section headed "DEBENTURE ISSUED" of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Year.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to the shareholders as at 31 December 2021 amounted to approximately HK\$4,713.3 million.

DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK\$12,574,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, less than 30% of the Group's revenue was attributable to the Group's five largest customers, and less than 30% of the Group's purchases were attributable to the Group's five largest suppliers.

During the Year, none of the Directors, or any of their close associates, or any shareholders of the Company (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors

Mr. Zhang Tiefu (*Joint Chairman*) (*appointed on 21 May 2021 and as Joint Chairman on 29 July 2021*)

Mr. Hu Xiaoyong (*Joint Chairman*) (*appointed as Joint Chairman on 29 July 2021*)

Mr. Yang Guang (*Chief Executive Officer*) (*appointed on 21 May 2021 and as Chief Executive Officer on 21 May 2021*)

Mr. Shi Xiaobei (*resigned as Chief Executive Officer on 21 May 2021*)

Mr. Tan Zaixing

Ms. Huang Danxia

Independent Non-executive Directors

Mr. Li Fujun

Mr. Xu Honghua

Mr. Chiu Kung Chik

In accordance with article 108 of the Articles of Association, Ms. Huang Danxia, Mr. Xu Honghua and Mr. Chiu Kung Chik shall retire by rotation at the AGM and, being eligible, offer themselves for re-election.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has duly reviewed the independence of each of these Directors. The Company considered that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and as at the date of this report all of them are still considered to be independent.

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

After having made all reasonable enquiry, the Company is not aware of any information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the interim report of the Company for the six months ended 30 June 2021 and up to the date of this report.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out on pages 39 to 42 of this annual report.

DIRECTORS' SERVICE CONTRACTS

All executive Directors had entered into service agreements and all independent non-executive Directors had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the Articles of Association.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the Remuneration Committee. Save as disclosed in "Directors' Remuneration" in note 8 to the financial statements, during the Year, none of the Directors waived his/her emoluments nor has agreed to waive his/her emoluments for the year. Further details of the Company's Directors' remuneration are set out in note 8 to the financial statements.

Further details of the Remuneration Committee are set out in the "Corporate Governance Report" on page 50 of this annual report.

EMOLUMENT POLICY

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

Report of the Directors

DEFINED CONTRIBUTION PLANS

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

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

Except for voluntary contributions, no forfeited contributions under the above pension schemes and the MPF Scheme are available to reduce the contribution payable in future years.

During the Year, total contributions to the Group's pension scheme contributions charged to profit or loss amounted to approximately HK\$25,092,000 (2020: approximately HK\$17,847,000).

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty.

The Company has arranged appropriate Directors' and officers' liability insurance to indemnify its Directors against liabilities arising out of legal action from their performance of their duties. Such insurance coverage is reviewed and renewed with consultant advice on an annual basis. During the Year, no claim was made against the Directors and officers of the Company.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares. Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in the shares. It is emphasised that none of the Company or its directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code as set out in Appendix 10 of the Listing Rules, were as follows:

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

Name of Directors	Capacity and number of shares/ underlying shares held				Total	Approximate percentage of the Company's total issued shares (Note 1)
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Hu Xiaoyong	132,780,000	–	2,291,454,285 (Note 2)	–	2,424,234,285	3.82%
Mr. Tan Zaixing	60,000,000	–	–	–	60,000,000	0.09%

Notes:

- The approximate percentage was calculated on the basis of 63,525,397,057 shares of the Company in issue as at 31 December 2021.
- Out of 2,291,454,285 shares, 2,285,714,285 shares and 5,740,000 shares were held by Zhihua Investments Limited and Starry Chance Investments Limited, respectively, both companies are wholly and beneficially owned by Mr. Hu Xiaoyong. Accordingly, Mr. Hu Xiaoyong is deemed to have interests in those shares of the Company under the SFO.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

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

Name of Associated Corporation	Name of Director	Capacity in which interests are held	Registered capital held	Approximate percentage of interests <i>(Note 1)</i>
天津北清電力智慧能源有限公司 (Tianjin Beiqing Electric Smart Energy Co., Ltd.*) ("Beiqing Smart") <i>(Note 3)</i>	Mr. Hu Xiaoyong	Interest of controlled corporation <i>(Note 2)</i>	RMB18,703,254	0.27%

Notes:

1. The approximate percentage was calculated on the basis of the registered capital of RMB6,854,619,850 of Beiqing Smart as at 31 December 2021.
2. Such interest was held by Great First (Hong Kong) Limited ("Great First"), which in turn is wholly-owned by Mr. Hu Xiaoyong.
3. In respect of the material assets reorganisation, on 24 September 2021, SEC Electric Machinery Co., Ltd. ("SEC Electric") entered into a material assets reorganisation agreement with the respective parties (including Great First) (the "Transaction"), pursuant to which SEC Electric agreed to offer 3,311,609 consideration shares at issue price of RMB10.10 per SEC Electric share to exchange for 0.27% of the equity interest held by Great First in Beiqing Smart upon the Transaction is completed (the "Exchange of Equity Interest"). On 25 February 2022, SEC Electric entered into a termination agreement regarding the Transaction with the respective parties (including Great First), the Exchange of Equity Interest was lapsed.

(iii) Long positions in the share options of the Company

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

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had any interests or short positions in the shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the shareholders' resolution passed on 11 June 2013 and update to the terms of the Share Option Scheme was adopted by the shareholders' resolution passed on 8 June 2021. As at 31 December 2021, there were share options relating to 1,010,000,000 shares granted by the Company, representing approximately 1.59% of the total issued shares of the Company, were valid and outstanding; while as at the date of this report, there are share options relating to 1,010,000,000 shares granted by the Company, representing approximately 1.59% of the total issued shares of the Company, remain valid and outstanding.

The major terms of the Share Option Scheme are summarised as follows:

(i) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel for the development of the Group's business; to provide additional incentive to the selected qualifying participants; and to promote the success of the business of the Group.

(ii) Qualifying participants

Any employee (full-time or part-time), director, consultant or advisor, substantial shareholder, distributor, contractor, supplier, agent, customer, business partner or service provider of the Group and also any entity in which the Company directly or indirectly holds any equity interest.

(iii) Maximum number of shares

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the total issued shares of the Company at the date of approval of the Share Option Scheme. The scheme mandate limit under the Share Option Scheme was refreshed by the ordinary resolution passed by the shareholders at the annual general meeting held on 31 May 2018 (the "2018 AGM") which enabled the grant of share options to subscribe for up to 6,352,539,705 shares, representing 10% of the shares in issue as at the date of the 2018 AGM.

As at 1 January 2021, the total number of shares available for issue under the Share Option Scheme was 6,782,539,705. During the Year and up to the date of this report, share options relating to 20,000,000 shares were lapsed in accordance with the Share Option Scheme. As at the date of this report, the total number of shares available for issue pursuant to the Share Option Scheme was 6,802,539,705, representing approximately 10.72% of the shares in issue of the Company.

Notwithstanding the foregoing, the aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the shares in issue from time to time.

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

(iv) Limit for each participant

The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period up to and including the date of grant to each participant must not exceed 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

(v) Option period

The period for the exercise of an option shall be determined by the Board in its absolute discretion at the time of granting an option, but in any event such period shall not exceed 10 years from the date of grant.

(vi) Acceptance and payment on acceptance

An offer for the options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer is HK\$1.00.

(vii) Subscription price

The subscription price shall be a price solely determined by the Board and notified to a qualifying participant and shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant.

(viii) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the adoption date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

Under the Share Option Scheme, the Board shall be entitled at any time within 10 years between 11 June 2013 and 10 June 2023 to offer an option to any qualifying participants.

SHARE OPTION SCHEME (CONTINUED)

Details of movements in the share options granted under the Share Option Scheme during the Year were as follows:

Category of participants/Name	Number of share options					As at 31 December 2021	Grant date (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)	Exercise price HK\$
	As at 1 January 2021	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed/forfeited during the Year				
Executive Directors									
Mr. Hu Xiaoyong	80,000,000	-	-	-	-	80,000,000	15/09/2020	15/09/2023-14/09/2030	0.080
	80,000,000	-	-	-	-	80,000,000	15/09/2020	15/09/2024-14/09/2030	0.080
	80,000,000	-	-	-	-	80,000,000	15/09/2020	15/09/2025-14/09/2030	0.080
	80,000,000	-	-	-	-	80,000,000	15/09/2020	15/09/2026-14/09/2030	0.080
	80,000,000	-	-	-	-	80,000,000	15/09/2020	15/09/2027-14/09/2030	0.080
Mr. Tan Zaixing	68,000,000	-	-	-	-	68,000,000	15/09/2020	15/09/2023-14/09/2030	0.080
	68,000,000	-	-	-	-	68,000,000	15/09/2020	15/09/2024-14/09/2030	0.080
	68,000,000	-	-	-	-	68,000,000	15/09/2020	15/09/2025-14/09/2030	0.080
	68,000,000	-	-	-	-	68,000,000	15/09/2020	15/09/2026-14/09/2030	0.080
	68,000,000	-	-	-	-	68,000,000	15/09/2020	15/09/2027-14/09/2030	0.080
Independent non-executive Directors									
Mr. Li Fujun	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2023-14/09/2030	0.080
	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2024-14/09/2030	0.080
	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2025-14/09/2030	0.080
	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2026-14/09/2030	0.080
	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2027-14/09/2030	0.080
Mr. Xu Honghua	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2023-14/09/2030	0.080
	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2024-14/09/2030	0.080
	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2025-14/09/2030	0.080
	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2026-14/09/2030	0.080
	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2027-14/09/2030	0.080
Mr. Chiu Kung Chik	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2023-14/09/2030	0.080
	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2024-14/09/2030	0.080
	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2025-14/09/2030	0.080
	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2026-14/09/2030	0.080
	2,000,000	-	-	-	-	2,000,000	15/09/2020	15/09/2027-14/09/2030	0.080
Sub-total	770,000,000	-	-	-	-	770,000,000			
Employees of the Group and associated corporations of the Group									
In aggregate	52,000,000	-	-	-	(4,000,000)	48,000,000	15/09/2020	15/09/2023-14/09/2030	0.080
	52,000,000	-	-	-	(4,000,000)	48,000,000	15/09/2020	15/09/2024-14/09/2030	0.080
	52,000,000	-	-	-	(4,000,000)	48,000,000	15/09/2020	15/09/2025-14/09/2030	0.080
	52,000,000	-	-	-	(4,000,000)	48,000,000	15/09/2020	15/09/2026-14/09/2030	0.080
	52,000,000	-	-	-	(4,000,000)	48,000,000	15/09/2020	15/09/2027-14/09/2030	0.080
Sub-total	260,000,000	-	-	-	(20,000,000)	240,000,000			
Total	1,030,000,000	-	-	-	(20,000,000)	1,010,000,000			

Notes:

- The closing price per ordinary share as at the date preceding the date on which the share options were granted and stated in the Stock Exchange's daily quotation sheet on 14 September 2020 was HK\$0.039.
- The share options granted on 15 September 2020 are subject to a vesting scale in five tranches of 20% each per annum starting from the third anniversary and will be fully vested on the seventh anniversary of the date of grant. Apart from the aforesaid vesting dates, each tranche of the share options shall be vested and exercisable on the condition that each participant has passed the cultural values and performance assessment of the Company.
- During the year ended 31 December 2021, the share options relating to 20,000,000 shares granted to employees of the Group and associated corporations of the Group lapsed on the expiry of 3 months after the date of his resignation in accordance with the Share Option Scheme.

Save as disclosed above, no share option was granted, exercised, lapsed, cancelled or forfeited under the Share Option Scheme during the Year.

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

On 8 June 2021, the shareholders of the Company passed a resolution to approve an update to the terms of the Share Option Scheme. According to the updated terms of the Share Option Scheme, a grantee will, subject to the vesting conditions on the vesting dates (if any) and determination by the Board at its sole discretion, continue to be entitled to exercise his/her share options (whether in whole or in part) during the option period notwithstanding the cessation of his/her employment, if and only if he/she has been employed with any entity in which the Company directly or indirectly holds any equity interest (the "BECE Group") for not less than 5 years immediately before the cessation of his/her employment and the cessation of the employment is not related to any one or more of the grounds that he/she has been guilty of serious misconduct, bankruptcy, become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty (if so determined by the Board) or any other ground on which the BECE Group would be entitled to terminate the grantee's employment pursuant to any applicable laws or under the grantee's service contract with the BECE Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" and "Share Option Scheme" of this report, and "Share Option Scheme" in note 34 to the financial statements, 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 under the age of 18, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the sections headed "Continuing Connected Transactions" and "Related Party Transactions" below and "Related Party Disclosures" in note 43 to the financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, the following Director(s) was/were considered to have interests in the following businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules:

Name of Director	Name of companies	Nature of businesses	Nature of interests
Ms. Huang Danxia	北京啟迪清風科技有限公司 (Beijing Tus-Wind Technology Company Limited*)	Development, construction and operation of wind power	Director
	西安啟迪瑞行清潔能源有限公司 (TusiAct Clean Energy Technology Company Limited*)	Development of building energy technologies, provision of related consultancy services and sales of electricity	Director
	湖南啟迪旺能新能源科技有限公司 (Hunan Tus-Wangneng New Energy Technology Company Limited*)	Production and supply of clean heat energy and development of geothermal energy	Director
	西安瑞行城市熱力發展集團有限公司 (Xian Raising Urban Heating Development Group Company Limited*)	Design, construction and operation of clean heat supply projects and provision of consultancy services	Director
	北京啟迪智中能源科技有限公司 (Beijing Tus-Zhizhong Energy Technology Company Limited*)	Supply of clean heat energy, provision of consultancy services, provision of EPC services and sales of electricity	Director
	啟迪中電智慧能源科技 (深圳) 有限公司 (Tus-CLP Smart Energy Technology Company Limited*)	Development of smart energy platform technologies, provision of related consultancy services and sales of electricity	Director
	西安市高新區啟迪瑞行熱力有限公司 (Xi'an Hi Tech Zone Qidi Ruixing Thermal Power Co., Ltd.*)	Provision of electricity, heat energy, gas and water production	Director
	安康啟迪瑞行清潔能源有限公司 (Ankang Qidi Ruixing Clean Energy Co., Ltd.*)	Design, construction and operation of clean heat supply projects and provision of consultancy services	Director
	啟迪新核 (北京) 能源科技有限公司 (Enlightenment New Nuclear (Beijing) Energy Technology Co., Ltd.*)	Development of clean energy technologies, provision of related consultancy services and sales of electricity	Director

The Directors consider that such competition, if any, is neither significant nor material to the Group as a whole. Furthermore, Ms. Huang Danxia will fulfil her fiduciary duties in order to ensure that she will act in the best interest of the shareholders and the Company as a whole at all times. Hence, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

Report of the Directors

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

As at 31 December 2021, so far as was known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company as disclosed above) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in the shares and/or underlying shares of the Company

Name of shareholders	Capacity in which shares are held	Number of shares held	Approximate percentage of the Company's issued share capital (Note 1)
Beijing Enterprises Group Company Limited ("BE Group") (Note 2)	Interest of controlled corporation	20,253,164,571	31.88%
Beijing Enterprises Holdings Limited ("BEHL") (Note 2)	Interest of controlled corporation	20,253,164,571	31.88%
BEWG (Note 2)	Interest of controlled corporation	20,253,164,571	31.88%
CITIC Securities Company Limited (Notes 3(i) and (ii))	Interest of controlled corporation	15,189,873,410	23.91%
Citron PE Holdings Limited (Note 3(i))	Interest of controlled corporation	7,594,936,710	11.96%
Citron PE Associates II, L.P. (Note 3(i))	Interest of controlled corporation	7,594,936,710	11.96%
CPEChina Fund II, L.P. (Note 3(i))	Interest held jointly with another person	7,594,936,710	11.96%
CPEChina Fund IIA, L.P. (Note 3(i))	Interest held jointly with another person	7,594,936,710	11.96%
中信產業投資基金管理有限公司 (CITIC Private Equity Funds Management Co., Ltd.*) ("CITIC Private Equity Funds") (Note 3(ii))	Interest of controlled corporation	7,594,936,700	11.96%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long position in the shares and/or underlying shares of the Company (Continued)

Name of shareholders	Capacity in which shares are held	Number of shares held	Approximate percentage of the Company's issued share capital (Note 1)
北京宥德投資管理中心(有限合夥) (Beijing Youde Investment Management Centre (Limited Partnership)*) ("Beijing Youde Investment") (Note 3(ii))	Interest of controlled corporation	7,594,936,700	11.96%
北京信聿投資中心(有限合夥) (Beijing Xinyu Investment Centre (Limited Partnership)*) ("Beijing Xinyu Investment") (Note 3(ii))	Interest of controlled corporation	7,594,936,700	11.96%
啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*) (Note 4)	Interest of controlled corporation	4,045,000,000	6.37%
Tuspark Technology Innovation Ltd. (啟迪科創有限公司) (Note 4)	Beneficial interest	4,045,000,000	6.37%

Notes:

- The approximate percentage was calculated on the basis of 63,525,397,057 shares of the Company in issue as at 31 December 2021.
- BE Group is deemed to be interested in an aggregate of 20,253,164,571 shares of the Company as a result of its indirect holding of such shares through the following entities:

Name	Long position in the shares
Fast Top Investment Limited ("Fast Top")	20,253,164,571
BEWG	20,253,164,571
Beijing Enterprises Environmental Construction Limited ("BE Environmental")	20,253,164,571
BEHL	20,253,164,571
Beijing Enterprises Group (BVI) Company Limited ("BE BVI")	20,253,164,571

Fast Top, a wholly-owned subsidiary of BEWG, beneficially holds 20,253,164,571 shares of the Company. BEWG was directly held as to approximately 40.66% by BE Environmental and approximately 0.32% by Beijing Holdings Limited ("BHL") as at 31 December 2021. BE Environmental is a wholly-owned subsidiary of BEHL, which is in turn held as to approximately 61.96% by BE BVI (by itself and through its subsidiaries) and approximately 0.35% by BHL. Both BE BVI and BHL are wholly-owned by BE Group.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long position in the shares and/or underlying shares of the Company (Continued)

Notes: (Continued)

3. CITIC Securities Company Limited (a company listed on the Stock Exchange and the Shanghai Stock Exchange) is deemed to be interested in an aggregate of 15,189,873,410 shares of the Company as a result of its indirect holding of such shares through the following entities:

(i) Name	Long position in the shares
CTSL Green Power Investment Limited ("CTSL Green Power")	7,594,936,710
CPEChina Fund II, L.P.	7,594,936,710
CPEChina Fund IIA, L.P.	7,594,936,710
Citron PE Associates II, L.P.	7,594,936,710
Citron PE Funds II Limited	7,594,936,710
Citron PE Holdings Limited	7,594,936,710
CLSA Global Investments Management Limited ("CLSA Global")	7,594,936,710
CLSA B.V.	7,594,936,710
CITIC Securities International Company Limited ("CITIC Securities International")	7,594,936,710

CTSL Green Power, a company jointly-controlled by CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P., beneficially holds 7,594,936,710 shares of the Company. CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. are two exempted limited partnerships registered under the laws of the Cayman Islands. The general partner of CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. is Citron PE Associates II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of Citron PE Associates II, L.P. is Citron PE Funds II Limited. Citron PE Funds II Limited is wholly-owned by Citron PE Holdings Limited, which is owned as to 35% by CLSA Global. CLSA Global is wholly-owned by CLSA B.V., which is wholly-owned by CITIC Securities International, which is in turn wholly-owned by CITIC Securities Company Limited.

(ii) Name	Long position in the shares
CTSL New Energy Investment Limited ("CTSL New Energy")	7,594,936,700
Beijing Xinyu Investment	7,594,936,700
Beijing Youde Investment	7,594,936,700
上海磐諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*) ("Shanghai Pannuo")	7,594,936,700
CITIC Private Equity Funds	7,594,936,700

CTSL New Energy, a wholly-owned subsidiary of Beijing Xinyu Investment, beneficially holds 7,594,936,700 shares of the Company. Beijing Xinyu Investment is a limited partnership registered under the laws of the PRC. The general partner of Beijing Xinyu Investment is Beijing Youde Investment, a limited partnership registered under the laws of the PRC whose general partner is Shanghai Pannuo, a limited liability company incorporated in the PRC. Shanghai Pannuo is wholly-owned by CITIC Private Equity Funds, which is in turn owned as to 35% by CITIC Securities Company Limited.

4. Tuspark Technology Innovation Ltd. (啟迪科創有限公司), a wholly-owned subsidiary of 啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*), beneficially holds 4,045,000,000 shares of the Company.

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the following transactions continued to be continuing connected transactions for the Company which are required under Chapter 14A of the Listing Rules to be disclosed in the annual report of the Company:

(I) Leases and Licence

(i) Units 201 and 302 of BEWG Building and four car parking spaces

On 4 January 2021, Beiqing Smart, an indirect non-wholly owned subsidiary of the Company, entered into a lease agreement (the "Beijing Lease I") with 北控水務(中國)投資有限公司 (Beijing Enterprises Water (China) Investment Co., Ltd*) ("BEWCI"), a wholly-owned subsidiary of BEWG, in respect of the leasing of Units 201 and 302 of BEWG Building, Poly International Plaza T3, Zone 7, Wangjingdongyuan, Chaoyang District, Beijing, the PRC ("BEWG Building") as office premises and four car parking spaces in BEWG Building. The Beijing Lease I was entered into for a fixed term of 1 year from 1 January 2021 to 31 December 2021 with a rental of RMB745,187.04 per month (inclusive of the management fees and other service charges) and RMB2,000 per month for the four car parking spaces. The annual cap for the Beijing Lease I for the year ended 31 December 2021 is RMB8,966,244.50.

On 4 January 2022, Beiqing Smart entered into a lease agreement with BEWCI in respect of the leasing of Units 201 and 302 of BEWG Building and four car parking spaces in BEWG Building for a fixed term of 1 year from 1 January 2022 to 31 December 2022 with a rental of RMB745,187.04 per month (inclusive of the management fees and other service charges) and RMB2,000 per month for the four car parking spaces. The annual cap of such lease for the year ending 31 December 2022 is RMB8,966,244.50.

(ii) Unit 301 of BEWG Building

On 19 January 2019, 北京北控光伏科技發展有限公司 (Beijing Enterprises New Energy Company Limited*) ("BENE"), an indirect wholly-owned subsidiary of the Company, entered into a lease agreement (the "New Beijing Lease") with BEWCI in respect of the leasing of Unit 301 of BEWG Building as office premises. The New Beijing Lease was entered into for a fixed term of 3 years from 1 February 2019 to 31 January 2022 with a rental of RMB170,333.30 per month (inclusive of the management fees and other service charges).

On 1 February 2021, BENE and BEWCI entered into a termination agreement in relation to the termination of the New Beijing Lease. Upon termination of the New Beijing Lease, each of BENE and BEWCI shall be released and discharged from its respective further liabilities and obligations thereunder absolutely; and neither BENE nor BEWCI shall have any claims against each other as a result of the termination of the New Beijing Lease.

On 4 January 2022, 北控清潔熱力有限公司 (BE Clean Heat Energy Company Limited*), an indirect non-wholly owned subsidiary of the Company, entered into a lease agreement as office premises (the "Beijing Lease II") with BEWCI in respect of the leasing of Unit 301 of BEWG Building for a fixed term of 1 year from 1 January 2022 to 31 December 2022 with a rental of RMB170,333.33 per month (inclusive of the management fee and other service charges). The annual cap of such lease for the year ending is RMB2,044,000.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(I) Leases and Licence (Continued)

(iii) Rooms 6706-07, 67th Floor, Central Plaza

On 26 June 2019, the Company entered into an agreement (the "Licence") with BEWG to renew the terms of a licence agreement dated 30 June 2017 for occupying and using a portion of Rooms 6706-07, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (the "Hong Kong Property") for the period from 2 July 2019 to 30 June 2022 or the date on which BEWG ceases to be a tenant of the Hong Kong Property under the terms of the tenancy agreement entered into between BEWG and the landlord of the Hong Kong Property (the "Hong Kong Lease") applicable to the Licence, whichever is the earlier. The Company will pay BEWG a monthly fee, being the sum of: (i) HK\$101,791.50, representing the rent payable by BEWG for the occupied portion under the Hong Kong Lease; (ii) HK\$14,070.00, representing the service charges (inclusive of the management fees, air-conditioning charges and internal office cleaning charges) payable by BEWG for the occupied portion under the Hong Kong Lease; (iii) HK\$6,816.00, representing the coolant fees payable by BEWG for the occupied portion under the Hong Kong Lease; and (iv) the government rates of the Hong Kong Property payable by BEWG for the occupied portion under the Hong Kong Lease.

The annual caps for the Licence are (i) HK\$773,220.80 for the period from 2 July 2019 to 31 December 2019; (ii) HK\$1,562,646.78 for the year ended 31 December 2020; (iii) HK\$1,579,704.22 for the year ending 31 December 2021; and (iv) HK\$798,807.26 for the period from 1 January 2022 to 30 June 2022.

BEWG is the controlling shareholder of the Company and BEWCI is an associate of BEWG. Therefore, BEWG and BEWCI are connected persons of the Company. Accordingly, the entering into of the Beijing Lease I, the New Beijing Lease, the Beijing Lease II, and the Licence constituted continuing connected transactions of the Company which are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(II) Power purchase agreement

On 30 December 2019, the Company and BEWG entered into the power purchase agreement (the "Power Purchase Agreement") to renew the terms of the power purchase agreement dated 30 June 2017, pursuant to which the Group will sell electricity to be generated by the distributed photovoltaic power stations in certain water plants to BEWG and its subsidiaries from 1 January 2020 to 31 December 2022 (may be renewable for another term upon mutual agreement between BEWG and the Company within one month prior to the expiry date). The annual cap amounts for the electricity fees to be received by the Group in respect of the power purchase under the Power Purchase Agreement for the three financial years ending 31 December 2022 will be RMB18,524,364, RMB19,031,015 and RMB18,885,741 respectively.

BEWG is the controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the transactions contemplated under the Power Purchase Agreement constituted continuing connected transactions of the Company which are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

The above continuing connected transactions were carried out within the respective annual caps, details of which are set out in note 43 to the financial statements.

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

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's external auditor, Ernst & Young, 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 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 an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

The Group entered into certain activities with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to the activities in the ordinary course of the Group's business and were negotiated on normal commercial terms and an arm's length basis. Certain transactions set out in note 43 to the financial statements are connected transactions as defined under the Listing Rules and were exempt and complied with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.71 of the Listing Rules during the Year are provided in the section headed "Continuing Connected Transactions" of this report.

Report of the Directors

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

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

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount (million)	Final Maturity	Specific performance obligations
17 December 2018	Term loan facility with a bank	HK\$800	December 2022	Note 1
14 June 2019	Term loan facility with a syndicate of banks	HK\$3,000	June 2022	Note 1
25 October 2019	Term loan facility with a bank	HK\$1,000	October 2022	Note 1
26 August 2020	Term loan facility with a syndicate of banks	HK\$390 and US\$100	August 2023	Note 1
28 December 2020	Revolving loan facility with a bank	HK\$1,000	April 2022	Note 1
30 April 2021	Term loan facility with a syndicate of banks	HK\$1,872 and US\$60	April 2024	Note 1
19 November 2021 and 2 March 2022	Term loan facility with a syndicate of banks	HK\$1,606.8 and US\$144	November 2024	Note 2

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER (CONTINUED)

Notes:

- (i) BEWG does not or ceases to own, directly or indirectly, at least 25% of the beneficial shareholding carrying at least 25% of the voting rights in the Company, free from mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect (each, a "Security"); (ii) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and/or does not or ceases to supervise the Company; (iii) BEHL does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BEWG, free from any Security; (iv) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG, and does not or ceases to (a) supervise BEWG; and/or (b) have management control over BEWG; (v) BE Group does not or ceases to own, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any Security; (vi) BE Group is not or ceases to be the, direct or indirect, single largest shareholder of BEHL and/or does not or ceases to supervise BEHL; and (vii) BE Group is not or ceases to be effectively wholly-owned, supervised and controlled by 北京市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality*).
- (i) Neither BEWG nor any member of BE Group and its subsidiaries from time to time (the "Member of the BE Group") owns, directly or indirectly, at least 25% of the beneficial shareholding carrying at least 25% of the voting rights in the Company, free from any Security; (ii) Neither BEWG nor the Member of the BE Group is the single largest shareholder of the Company, and/or supervise the Company and/or have management control over the Company; (iii) BEHL does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BEWG, free from any Security; (iv) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG, and/or does not or ceases to (a) supervise BEWG; and/or (b) have management control over BEWG; (v) BE Group does not or ceases to own, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any Security; (vi) BE Group is not or ceases to be the, direct or indirect, single largest shareholder of BEHL, and/or does not or ceases to (a) supervise BEHL; and/or (b) have management control over BEHL; and (vii) BE Group is not or ceases to be effectively wholly-owned, supervised and controlled by 北京市人民政府 (the People's Government of Beijing Municipality*).

On 2 March 2022, the Company, as borrower and the lenders under the facility agreement dated 19 November 2021 (the "Facility Agreement") and certain banks entered into a supplemental agreement to make amendments (the "Amendments") to the Facility Agreement (the "Supplemental Agreement"). Pursuant to the Supplemental Agreement, the principal amount of HK\$780,000,000 and US\$100,000,000 (totalling HK\$1,560,000,000) (which may be subsequently increased to an aggregate amount of not more than US\$300,000,000 (or its equivalent) subject to the terms and conditions as stipulated therein) under the Facility Agreement had been revised to the principal amount of HK\$1,606,800,000 and US\$144,000,000 (totalling HK\$2,730,000,000). Save for the Amendments, other terms of the Facility Agreement remain unchanged and in full force.

According to the respective terms and conditions of the Agreements, the banks may declare any commitment under the Agreements to be cancelled and/or declare all outstanding amounts together with interest accrued thereon and all others sums to be immediately due and payable or payable on demand for any breach of the above specific performance obligations.

Within the best knowledge of the Directors, none of the above events took place during the Year and up to the date of approval of this annual report.

Except as disclosed above, as at 31 December 2021, the Company did not have other disclosure obligations under Rule 13.21 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Report of the Directors

CORPORATE GOVERNANCE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. In the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2021 and up to the date of this annual report.

The “Corporate Governance Report” is set out on pages 43 to 57 of this annual report.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM for the re-appointment of Ernst & Young as auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 47 to the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by the Board on 29 March 2022.

On behalf of the Board

Zhang Tiefu and Hu Xiaoyong

JOINT CHAIRMEN

Hong Kong, 29 March 2022

* *For identification purposes only*



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To the shareholders of Beijing Enterprises Clean Energy Group Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Enterprises Clean Energy Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 84 to 195, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 disclosure requirements of 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.

Independent Auditor's Report

To the shareholders of Beijing Enterprises Clean Energy Group Limited

(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

How our audit addressed the key audit matter

Provision for expected credit losses on trade and bills receivables, financial assets included in prepayments, deposits and other receivables and contract assets

The carrying values of the Group's trade and bills receivables, financial assets included in prepayments, deposits and other receivables, and contract assets as at 31 December 2021 amounted to HK\$10,006,793,000, HK\$4,888,168,000 and HK\$1,353,953,000, respectively. The provision for expected credit losses ("ECLs") as at 31 December 2021 was HK\$794,324,000.

Management uses the simplified approach to calculate ECLs for trade receivables and contract assets and the general approach to calculate ECLs for bills receivable, deposits and other receivables.

Management has engaged an external specialist to assess the credit risks of the debtors and prepare the calculation of the ECLs.

The Group considers the available information which includes information about past events, current conditions and forecasts of future economic conditions to estimate the ECLs. The Group also assesses whether the credit risk on other receivables has increased significantly under the general approach.

Significant management judgements and estimates are involved in determining the ECLs.

Relevant disclosures are included in notes 3, 23, 24 and 25 to the financial statements.

We obtained an understanding of the Group's credit risk management and practices, and assessed the Group's policy on determining the ECLs, including an evaluation of management judgements on (i) the level of disaggregation of categories for collective assessment; (ii) the use of available credit risk information; and (iii) the criteria for determining whether a significant increase in credit risk has occurred.

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

We obtained and reviewed the valuation established by management and involved our internal valuation specialists to assist us to assess the methodology applied and the key assumptions and estimates adopted in ECL calculations.

We assessed the ageing of the balances, management's action to recover the outstanding amounts and the available information about the financial ability of the debtors, on a sampling basis.

To the shareholders of Beijing Enterprises Clean Energy Group Limited

(Incorporated in the Cayman Islands with limited liability)

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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.

Independent Auditor's Report

To the shareholders of Beijing Enterprises Clean Energy Group Limited

(Incorporated in the Cayman Islands with limited liability)

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

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.
- 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.

Independent Auditor's Report

To the shareholders of Beijing Enterprises Clean Energy Group Limited

(Incorporated in the Cayman Islands with limited liability)

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

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 Wong Kwok Yin.

Ernst & Young

Certified Public Accountants

Hong Kong

29 March 2022

Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Restated)
REVENUE	5	6,023,419	5,551,791
Cost of sales		(3,446,896)	(2,888,927)
Gross profit		2,576,523	2,662,864
Other income and gains, net	5	216,894	206,346
Selling and distribution expenses		(286)	(21)
Administrative expenses		(512,073)	(388,578)
Other operating expenses, net		(1,081,914)	(157,076)
Finance costs	7	(1,518,742)	(1,323,729)
Share of profits of:			
Joint ventures		17,815	16,450
Associates		36,909	2,154
(LOSS)/PROFIT BEFORE TAX	6	(264,874)	1,018,410
Income tax expense	10	(23,960)	(131,970)
(LOSS)/PROFIT FOR THE YEAR		(288,834)	886,440
Attributable to:			
Equity holders of the Company		(321,312)	763,694
Non-controlling interests		32,478	122,746
		(288,834)	886,440
(LOSS)/EARNINGS PER SHARE			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic		HK(0.62) cent	HK1.08 cents
Diluted		HK(0.62) cent	HK1.08 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000 (Restated)
(LOSS)/PROFIT FOR THE YEAR	(288,834)	886,440
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange fluctuation reserve:		
Translation of foreign operations	726,229	1,444,978
Release upon disposal of subsidiaries	–	3,626
Share of other comprehensive income of joint ventures	15,039	25,166
Share of other comprehensive income of associates	33,238	54,456
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	774,506	1,528,226
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	485,672	2,414,666
Attributable to:		
Equity holders of the Company	372,642	2,184,509
Non-controlling interests	113,030	230,157
	485,672	2,414,666

Consolidated Statement of Financial Position

31 December 2021

	Notes	31 December 2021 HK\$'000	31 December 2020 HK\$'000 (Restated)	1 January 2020 HK\$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	27,732,405	26,347,029	22,383,901
Investment properties	14	162,000	162,000	170,000
Goodwill	15	547,837	490,682	495,556
Operating concessions	16	2,138,011	2,288,353	1,970,397
Operating rights	17	1,020,748	989,405	934,507
Other intangible assets	18	20,001	19,661	20,270
Investments in joint ventures	19	497,159	447,881	133,395
Investments in associates	20	1,129,425	953,201	723,799
Financial assets at fair value through profit or loss	21	–	813,145	262,072
Financial assets at fair value through other comprehensive income		–	–	7,092
Prepayments, deposits and other receivables	25	3,291,428	4,849,561	4,631,754
Other tax recoverables	26	585,233	1,206,929	1,291,040
Other non-current assets	22	1,332,003	812,690	649,896
Deferred tax assets	32	285,508	108,578	97,726
Total non-current assets		38,741,758	39,489,115	33,771,405
CURRENT ASSETS				
Inventories		126,520	169,425	245,519
Contract assets	23	1,353,953	3,477,559	5,376,387
Trade and bills receivables	24	10,006,793	7,057,897	4,203,537
Financial assets at fair value through profit or loss	21	581,123	–	–
Prepayments, deposits and other receivables	25	2,343,586	3,018,267	3,236,699
Other tax recoverables	26	352,472	1,000,249	1,182,167
Restricted cash and pledged deposits	27	227,200	393,199	323,627
Cash and cash equivalents	27	1,140,832	2,521,536	3,698,835
		16,132,479	17,638,132	18,266,771
Assets of a disposal group classified as held for sale		–	–	154,106
Total current assets		16,132,479	17,638,132	18,420,877
CURRENT LIABILITIES				
Trade and bills payables	28	3,296,057	5,898,149	5,563,504
Other payables and accruals	29	2,363,821	4,208,246	5,107,637
Lease liabilities	30	1,009,155	831,716	2,645,344
Interest-bearing bank loans and other borrowings	30	9,041,677	4,813,782	3,229,625
Corporate bonds	31	1,188,385	592,124	–
Other current liabilities	22	1,577,945	–	–
Income tax payables		225,795	244,790	149,564
		18,702,835	16,588,807	16,695,674
Liabilities directly associated with the assets classified as held for sale		–	–	118,758
Total current liabilities		18,702,835	16,588,807	16,814,432

Consolidated Statement of Financial Position

31 December 2021

	Notes	31 December 2021 HK\$'000	31 December 2020 HK\$'000 (Restated)	1 January 2020 HK\$'000 (Restated)
NET CURRENT (LIABILITIES)/ASSETS		(2,570,356)	1,049,325	1,606,445
TOTAL ASSETS LESS CURRENT LIABILITIES		36,171,402	40,538,440	35,377,850
NON-CURRENT LIABILITIES				
Lease liabilities	30	3,531,063	6,208,490	12,987,864
Interest-bearing bank loans and other borrowings	30	17,399,202	17,156,781	8,938,290
Corporate bonds	31	–	1,104,199	557,047
Other non-current liabilities	22	2,781,734	2,347,752	1,412,218
Deferred income		50,517	260,910	129,261
Deferred tax liabilities	32	326,832	335,418	347,401
Total non-current liabilities		24,089,348	27,413,550	24,372,081
Net assets		12,082,054	13,124,890	11,005,769
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	33	63,525	63,525	63,525
Perpetual capital instrument	36	–	1,143,587	1,139,106
Reserves	35	11,186,898	10,861,351	8,807,331
Non-controlling interests		11,250,423	12,068,463	10,009,962
		831,631	1,056,427	995,807
Total equity		12,082,054	13,124,890	11,005,769

Zhang Tiefu
Director

Yang Guang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Notes	Attributable to equity holders of the Company										
		Ordinary shares HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000 (note 34)	Special reserves HK\$'000 (note 35)	Statutory surplus reserve HK\$'000 (note 35)	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	Perpetual capital instrument HK\$'000 (note 36)	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2020 (at previously restated)		63,525	5,925,295	37,349	(685,943)	631,288	(1,239,686)	3,434,831	1,139,106	9,305,765	1,700,004	11,005,769
Effect of changes in accounting policies	2.2	-	-	-	704,197	-	-	-	-	704,197	(704,197)	-
At 1 January 2020 (Restated)		63,525	5,925,295	37,349	18,254	631,288	(1,239,686)	3,434,831	1,139,106	10,009,962	995,807	11,005,769
Profit for the year		-	-	-	-	-	-	686,502	77,192	763,694	122,746	886,440
Other comprehensive income for the year:												
Share of other comprehensive income of joint ventures		-	-	-	-	-	25,166	-	-	25,166	-	25,166
Share of other comprehensive income of associates		-	-	-	-	-	54,456	-	-	54,456	-	54,456
Exchange differences related to foreign operations		-	-	-	-	-	1,337,567	-	-	1,337,567	107,411	1,444,978
Release upon disposal of subsidiaries	39	-	-	-	-	-	3,626	-	-	3,626	-	3,626
Total comprehensive income for the year		-	-	-	-	-	1,420,815	686,502	77,192	2,184,509	230,157	2,414,666
Acquisition of subsidiaries	38	-	-	-	-	-	-	-	-	-	8,017	8,017
Further acquisition of subsidiaries		-	-	-	(42,104)	-	-	-	-	(42,104)	(151,771)	(193,875)
Capital contributions from												
non-controlling equity holders		-	-	-	-	-	-	-	-	-	1,688	1,688
Deemed disposal of partial interests in subsidiaries		-	-	-	(6,174)	-	-	-	-	(6,174)	6,174	-
Disposal of subsidiaries	39	-	-	-	-	(47,380)	-	47,380	-	-	(26,595)	(26,595)
Dividend paid to non-controlling equity holders		-	-	-	-	-	-	-	-	-	(7,050)	(7,050)
Distributions paid to holders of a perpetual capital instrument	36	-	-	-	-	-	-	-	(72,711)	(72,711)	-	(72,711)
Equity-settled share option arrangements	34	-	-	(5,019)	-	-	-	-	-	(5,019)	-	(5,019)
Transfer from retained earnings		-	-	-	-	149,534	-	(149,534)	-	-	-	-
At 31 December 2020 (Restated)		63,525	5,925,295*	32,330*	(30,024)*	733,442*	181,129*	4,019,179*	1,143,587	12,068,463	1,056,427	13,124,890

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Notes	Attributable to equity holders of the Company										
		Ordinary shares	Share premium account	Share option reserve	Special reserves	Statutory surplus reserve	Exchange fluctuation reserve	Retained earnings	Perpetual capital instrument	Total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000 (note 34)	HK\$'000 (note 35)	HK\$'000 (note 35)	HK\$'000	HK\$'000	HK\$'000 (note 36)	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (at previously restated)		63,525	5,925,295	32,330	(1,250,410)	733,442	181,129	3,915,468	1,143,587	10,744,366	2,380,524	13,124,890
Effect of changes in accounting policies	2.2	-	-	-	1,220,386	-	-	103,711	-	1,324,097	(1,324,097)	-
At 1 January 2021 (restated)		63,525	5,925,295*	32,330*	(30,024)*	733,442*	181,129*	4,019,179*	1,143,587	12,068,463	1,056,427	13,124,890
(Loss)/profit for the year		-	-	-	-	-	-	(391,579)	70,267	(321,312)	32,478	(288,834)
Other comprehensive income for the year:												
Share of other comprehensive income of joint ventures		-	-	-	-	-	15,039	-	-	15,039	-	15,039
Share of other comprehensive income of associates		-	-	-	-	-	33,238	-	-	33,238	-	33,238
Exchange differences related to foreign operations		-	-	-	-	-	645,677	-	-	645,677	80,552	726,229
Total comprehensive (loss)/income for the year		-	-	-	-	-	693,954	(391,579)	70,267	372,642	113,030	485,672
Acquisition of subsidiaries	38	-	-	-	-	-	-	-	-	-	1,687	1,687
Further acquisition of subsidiaries		-	-	-	100,759	-	-	-	-	100,759	(347,249)	(246,490)
Capital contributions from non-controlling equity holders		-	-	-	-	-	-	-	-	-	7,736	7,736
Distributions paid to holders of a perpetual capital instrument	36	-	-	-	-	-	-	(79,345)	(79,345)	-	-	(79,345)
Redemption of a perpetual capital instrument	36	-	-	-	(85,191)	-	-	(1,134,509)	(1,219,700)	-	-	(1,219,700)
Equity-settled share option arrangements	34	-	-	7,604	-	-	-	-	-	7,604	-	7,604
Transfer from retained earnings		-	-	-	-	7,208	-	(7,208)	-	-	-	-
At 31 December 2021		63,525	5,925,295*	39,934*	(14,456)*	740,650*	875,083*	3,620,392*	-	11,250,423	831,631	12,082,054

* These reserve accounts comprise the consolidated reserves of HK\$11,186,898,000 (2020: HK\$10,861,351,000 (restated)) attributable to the holders of the ordinary shares of the Company in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(264,874)	1,018,410
Adjustments for:			
Interest income	5	(16,615)	(43,157)
Gains on bargain purchase of subsidiaries	5,6	(13,922)	–
Gains on disposal of subsidiaries	5,6	(782)	(3,827)
Fair value gain on financial assets at fair value through profit or loss	5	(21,528)	(20,722)
Fair value loss on investment properties	6	–	8,000
Depreciation of property, plant and equipment and right-of-use assets recognised under property, plant and equipment	6	1,499,468	1,069,673
Amortisation of operating concessions	6	127,748	60,566
Amortisation of operating rights	6	56,973	48,206
Amortisation of other intangible assets	6	3,796	2,866
Equity-settled share option arrangements, net	6	7,604	(5,019)
Impairment/(reversal of impairment) of financial assets and contract assets, net	6	622,386	(11,017)
Reversal of impairment of an investment in an associate	5,6	(53,551)	–
Impairment of property, plant and equipment	6	130,722	–
Impairment of service concession arrangements	6	168,956	–
Finance costs	7	1,518,742	1,323,729
Gain on remeasurement from step acquisition of a former joint venture to a subsidiary	5,6	(18,855)	–
Gains on disposal of joint ventures	5,6	(3,178)	(22,025)
Losses on disposal of an associate	6	30,570	66,384
Losses on disposal of property, plant and equipment	6	–	12,200
Fair value loss on financial guarantees	6	622	5,896
Share of profits of joint ventures		(17,815)	(16,450)
Share of profits of associates		(36,909)	(2,154)
		3,719,558	3,491,559
Decrease in inventories		47,610	86,364
Decrease in contract assets		893,823	2,383,312
Increase in trade and bills receivables		(1,337,880)	(2,481,053)
Decrease/(increase) in prepayments, deposits and other receivables		2,572,483	(431,194)
Decrease in other tax recoverables		1,345,992	563,131
Decrease in trade and bills payables		(2,771,283)	(555,774)
Decrease in other payables and accruals		(1,927,977)	(1,238,087)
Cash generated from operations		2,542,326	1,818,258
The People's Republic of China tax paid		(248,387)	(202,161)
Net cash from operating activities		2,293,939	1,616,097

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		16,615	43,157
Purchases of items of property, plant and equipment		(1,346,657)	(2,123,905)
Proceeds from disposal of items of property, plant and equipment		5,626	12,745
Addition of operating concessions		(76,450)	(246,612)
Addition of other intangible assets		(3,507)	(1,107)
Addition of financial assets at fair value through profit or loss		–	(513,033)
Proceeds from disposal of financial assets at fair value through profit or loss		275,317	–
Investments in joint ventures		(266,937)	(339,348)
Investments in associates		(83,099)	(239,173)
Acquisition of subsidiaries	38	(128,994)	(718,846)
Disposal of subsidiaries	39	201	598,844
Increase in deposits for potential business acquisitions		(645,519)	(75,987)
Decrease in payables in relation to the development of clean energy projects		(898,481)	(98,729)
(Increase)/decrease in restricted cash and pledged deposits		175,597	(46,982)
Decrease in loan and advances to suppliers, customers and former shareholders in relation to acquisitions		373,724	734,175
Advance to a potential acquisition company		–	(5,938)
Proceeds from disposal of joint ventures		18,090	22,485
Distributions from joint ventures		–	63,881
Change in other non-current assets/liabilities, other current liabilities and receivables from potential acquisition companies, net		59,910	86,211
Net cash used in investing activities		(2,524,564)	(2,848,162)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions by non-controlling equity holders		7,736	1,688
Increase in financial liabilities from potential non-controlling interests		1,152,448	562,114
Acquisition of non-controlling interests		(246,490)	(193,875)
Redemption of corporate bonds		(554,150)	–
Net proceeds from issuance of a corporate bond		–	1,007,757
New bank loans and other borrowings		8,917,271	6,016,231
Repayment of bank loans and other borrowings		(7,959,939)	(6,067,612)
Distribution to holders of a perpetual capital instrument		(79,345)	(72,711)
Dividend paid to non-controlling interests		–	(7,050)
Changes of deposits under leases		106,625	(94,912)
Interest on bank loans and other borrowings and corporate bonds paid		(1,336,869)	(1,336,673)
Redemption of a perpetual capital instrument		(1,219,700)	–

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Net cash used in financing activities		(1,212,413)	(185,043)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,443,038)	(1,417,108)
Cash and cash equivalents at beginning of year		2,521,536	3,698,835
Effect of foreign exchange rate changes, net		62,334	239,809
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,140,832	2,521,536
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	27	1,140,832	2,521,536
Cash and cash equivalents as stated in the statement of cash flows		1,140,832	2,521,536

1. CORPORATE AND GROUP INFORMATION

Beijing Enterprises Clean Energy Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses (the "Photovoltaic Power Business"), wind power businesses (the "Wind Power Business") and clean heat supply businesses (the "Clean Heat Supply Business") in the People's Republic of China (the "PRC").

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2021 are as follows:

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
北京北控光伏科技發展有限公司 (Beijing Enterprises New Energy Company Limited*)	PRC	RMB4,800,000,000	–	100	Trading of equipment and provision of technical consultancy services in relation to the Photovoltaic Power Business
天津北清電力智慧能源有限公司 (Tianjin Beiqing Electric Smart Energy Company Limited*) ("Beiqing Smart")	PRC	RMB6,854,619,850	–	81.4	Investment and development of the Photovoltaic Power Business and the Wind Power Business
天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*)	PRC	RMB4,300,000,000	–	81.4	Investment holding
四川北控清潔能源工程有限公司 (Sichuan Beijing Enterprises Clean Energy Engineering Limited*)	PRC	RMB550,000,000	–	100	Construction services and provision of technical consultancy services
安陽永歌光伏發電有限公司 (Anyang Yongge Photovoltaic Power Generation Co. Limited*)	PRC	RMB200,000,000	–	81.4	Infrastructure development and operation of photovoltaic power plants
淇縣中光太陽能有限公司 (Qi County Solar Power Limited*)	PRC	RMB200,100,000	–	81.4	Infrastructure development and operation of photovoltaic power plants
新泰北控清潔能源有限公司 (Xintai BE Clean Energy Company Limited*)	PRC	RMB200,000,000	–	81.4	Infrastructure development and operation of photovoltaic power plants
榆林協合太陽能發電有限公司 (Yulin Century Concord Solar Power Co., Ltd.*)	PRC	RMB150,390,000	–	81.4	Infrastructure development and operation of photovoltaic power plants

Notes to Financial Statements

Year ended 31 December 2021

1. CORPORATE AND GROUP INFORMATION (CONTINUED) Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
天津富驛企業管理諮詢有限公司 (Tianjin Fuyi Enterprise Management Consulting Co., Ltd*)	PRC	RMB2,600,000,000	–	81.4	Investment holding
天津富樺企業管理諮詢有限公司 (Tianjin Fuhua Enterprise Management Consulting Co., Ltd*)	PRC	RMB3,000,000,000	–	81.4	Investment holding
西藏北控清潔能源科技發展有限公司 (Tibet Beikong Clean Energy Technology Development Company Limited*)	PRC	RMB100,000,000	–	100	Construction services, provision of technical consultancy services and investment holding
北控清潔能源電力有限公司 (Beijing Enterprises Clean Energy Electricity Company Limited*)	PRC	RMB700,000,000	–	81.4	Investment holding
南昌縣綠川新能源有限公司 (Nanchang County Lvchuan New Energy Company Limited*)	PRC	RMB10,000,000	–	81.4	Infrastructure development and operation of photovoltaic power plants
河南平煤北控清潔能源有限公司 (Henan Pingmei Beikong Clean Energy Company Limited*)	PRC	RMB1,000,000,000	80.2	–	Infrastructure development, operation of clean energy projects and investment holding
西藏雲北能源科技有限公司 (Tibet Yunbei Energy Technology Co., Ltd.*)	PRC	RMB200,000,000	–	100	Construction services and provision of technical consultancy services
北控清潔熱力有限公司 (BE Clean Heat Energy Company Limited*)	PRC	RMB960,000,000	–	70	Infrastructure development and provision of clean heat supply services
興義市中弘新能源有限公司 (Xingyi Zhonghong New Energy Co., Ltd.*)	PRC	RMB1,000,000	–	81.4	Infrastructure development and operation of photovoltaic power plants
中寧縣興業錦繡新能源有限公司 (Zhongning County Xingyexinxiu New Energy Co. Ltd.*)	PRC	RMB50,000,000	–	81.4	Infrastructure development and operation of photovoltaic power plants
北控風力發電有限公司 (Beijing Enterprises Wind Power Generation Company Limited*)	PRC	RMB720,000,000	–	77.9	Infrastructure development and operation of clean energy projects

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
北控新能工程有限公司 (Beijing Enterprises New Energy Engineering Company Limited*)	PRC	RMB200,000,000	–	100	Construction services and provision of technical consultancy services
寧夏永恆能源管理有限公司 (Ningxia Yongheng Energy Management Company Limited*)	PRC	RMB30,000,000	–	70	Infrastructure development and provision of clean heat supply services
西藏富樺能源科技有限公司 (Tibet Fuhua Energy Technology Company Limited*)	PRC	RMB100,000,000	–	81.4	Trading of equipment and provision of technical consultancy services in relation to the Photovoltaic Power Business
北控智慧能源(凌源)有限責任公司 (Beijing Enterprises Smart Energy (Lingyuan) Company Limited*)	PRC	RMB500,000,000	–	63	Infrastructure development and provision of clean heat supply services
阿拉善北控新能源有限公司 (Alashan Beijing Enterprises New Energy Company Limited*)	PRC	RMB60,000,000	–	77.9	Infrastructure development and operation of wind power plants
金杰新能源股份有限公司 (Jin Jie New Energy Co., Ltd*)	PRC	RMB60,000,000	–	81.4	Infrastructure development and operation of wind power plants
包頭市金源新能源發展有限責任公司 (Baotou Jingjie New Energy Development Company Limited*)	PRC	RMB10,000,000	–	81.4	Infrastructure development and operation of wind power plants
山西北控文水供熱有限公司 (Shanxi Beijing Enterprises Wenshui Heat Supply Company Limited*)	PRC	RMB130,000,000	–	70	Infrastructure development and provision of clean heat supply service
寶應北控光伏發電有限公司 (Baoying Beijing Enterprises Photovoltaic Power Generation Company Limited*)	PRC	US\$41,500,000	–	81.4	Infrastructure development and operation of photovoltaic power plants
南宮市航科新能源開發有限公司 (Nangong City Hangke New Energy Development Company Limited*)	PRC	RMB480,000,000	–	81.4	Infrastructure development and operation of wind power plants
曹縣北控聖潤熱力有限公司 (Caoxian Beikong Shengrun Thermal Power Company Limited*)	PRC	RMB112,625,000	–	45.5	Infrastructure development and provision of clean heat supply services

Notes to Financial Statements

Year ended 31 December 2021

1. CORPORATE AND GROUP INFORMATION (CONTINUED) Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
陽信北控萬融新能源有限公司 (Yangxin Beikong Wanrong New Energy Company Limited*)	PRC	RMB5,000,000	–	70.1	Infrastructure development and operation of wind power plants
西安北控嘉晟熱力有限責任公司 (Xi'an Beikong Jiacheng Clean Heat Company Limited*)	PRC	RMB50,000,000	–	49	Infrastructure development and provision of clean heat supply services
山東魯薩風電有限公司 (Shandong Lusa Wind Power Limited*)	PRC	RMB160,000,000	–	77.9	Infrastructure development and operation of wind power plants
武鄉縣盛武風力發電有限公司 (Wuxiang Shengwu Wind Power Generation Co., Ltd.*, "Wuxiang Shengwu")	PRC	RMB90,000,000	–	81.4	Infrastructure development and operation of wind power plants
淇縣爭峰新能源有限公司 (Qixian Zhengfeng New Energy Company Limited*)	PRC	RMB200,000,000	–	77.9	Infrastructure development and operation of wind power plants
北控清潔能源(海興)有限責任公司 (Beijing Enterprises Clean Energy (Haixing) Company Limited*)	PRC	RMB50,000,000	–	81.4	Infrastructure development and operation of photovoltaic power plants
Greatest Winner Limited (宏源有限公司)	Hong Kong	HK\$1	–	100	Investment holding
Harvest Sunny International Limited (富歡國際有限公司)	Hong Kong	HK\$1	–	100	Investment holding
New Channel (Hong Kong) Limited (立昌(香港)有限公司)	Hong Kong	HK\$1	–	100	Investment holding
First Master (Hong Kong) Limited (豐美(香港)有限公司)	Hong Kong	HK\$1	–	100	Investment holding
Top Cheers Industrial Limited (德昌實業有限公司)	Hong Kong	HK\$10	–	100	Property investment

During the year, the Group acquired a number of subsidiaries, and details of the material transactions are set out in note 38 to the financial statements.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss, a financial asset at fair value through other comprehensive income and financial guarantee contracts which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. 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).

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

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

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

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

Notes to Financial Statements

Year ended 31 December 2021

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern

As at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately HK\$2,570,356,000. The directors of the Company have considered the Group's available sources of funds as at the date of approval of these consolidated financial statements, which are as follows:

- (a) Unutilised banking facilities available to the Group that the directors of the Company are confident of them being able to be continuously renewed upon their respective expirations in the foreseeable future based on the Group's past experience and good credit standing;
- (b) An indirect shareholder of the Company has committed to provide continuous financial support to the Group if needed; and
- (c) Other available sources of financing from banks, financial institutions and other institutions given the Group's credit history.

In light of the available funding as mentioned above, and after taking into account the operating performance of the Group and cash flow projection prepared by the directors of the Company. The directors of the Company are confident that the Group will have sufficient working capital to meet with its financial obligations and operation requirements as and when they fall due. Hence the directors of the Company are of the opinion that it is appropriate to prepare these consolidated financial statements under the going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their net realisable values and to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met. Additional information about the transition and the associated risks is disclosed in note 46 to the financial statements.

Notes to Financial Statements

Year ended 31 December 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

2.2.1 (Continued)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.2.2 During the years ended 31 December 2019 and 2020, as a result of the three rounds of capital increase by the non-controlling interests into Beiqing Smart, an indirect non-wholly owned subsidiary of the Group, an option (the "NCI Put Option") was granted to the non-controlling interests under which the non-controlling interests shall have the right to request certain subsidiaries of the Group to repurchase the equity interests in Beiqing Smart held by the non-controlling interests at any time after the occurrence of certain events. The Group adopted the accounting policy to account for the NCI Put Option to fully recognise the non-controlling interests.

During the year, the Company changed its accounting policy for the NCI Put Option from full recognition to no recognition of the non-controlling interests arising from the three rounds of capital increase.

In the opinion of the directors of the Company, the change in accounting policy provides more reliable and relevant information to the users of the financial statements to understand the financial performance and the financial position of the Group.

The change in accounting policy has been applied retrospectively and the comparative figures for the corresponding comparative prior periods have been restated. This change in accounting policy has had no impact on the cash flows for the year ended 31 December 2020.

The table below illustrates the measurement of the NCI Put Option from full recognition to no recognition of the non-controlling interests arising from the three rounds of capital increase as at 31 December 2020 and 1 January 2020.

Notes to Financial Statements

Year ended 31 December 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Consolidated Statement of Profit or Loss

	2020 HK\$'000 Increase/ (Decrease)
ATTRIBUTABLE TO:	
Equity holders of the Company	103,711
Non-controlling interests	(103,711)
	–

Consolidated Statement of Comprehensive Income

	2020 Increase/ (Decrease)
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	
Basic	HK0.16 cent
Diluted	HK0.16 cent

Consolidated Statement of Financial Position

	31 December 2020 HK\$'000 Increase/ (Decrease)	1 January 2020 HK\$'000 Increase/ (Decrease)
EQUITY		
Equity attributable to equity holders of the Company		
Reserves	1,324,097	704,197
	1,324,097	704,197
Non-controlling interests	(1,324,097)	(704,197)
Total equity	–	–

The adoption of the policy change has had no impact on the cash flows for the year ended 31 December 2020.

Notes to Financial Statements

Year ended 31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{2, 5}</i>
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative information²</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{2, 4}</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract¹</i>
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, 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 in October 2020 to align the corresponding wording with no change in conclusion

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

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements

Year ended 31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Amendments to HKAS 12 narrow the scope of the initial recognition exception 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 and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The 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. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Annual Improvements to HKFRSs 2018-2021 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

Notes to Financial Statements

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either 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 the statement of profit or loss.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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.

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

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

Fair value measurement

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

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

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

Notes to Financial Statements

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, deferred tax assets, inventories, other tax recoverables, contract assets, financial assets, investment properties and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of 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 the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent 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 parent, 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 parent of the entity); and
 - (viii) the entity, or any member of a group of which it is part, provides key management personnel services to the Group or to the parent of the Group.

Notes to Financial Statements

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Certain properties included in property, plant and equipment were in progress of application of property ownership certificates as at the end of the reporting period.

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%
Photovoltaic and wind power plants	4% to 5%
Clean heat supply facilities	5% to 10%
Plant and machinery	10% to 20%
Motor vehicles	10%
Furniture, fixtures and equipment	20%

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 depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Construction in progress represents photovoltaic and wind power plants, and clean heat supply facilities under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in an office and car parking spaces held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the 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 the statement of profit or loss in the year in which they arise.

Any gain or loss on the retirement or disposal of the investment properties is recognised in the statement of profit or loss in the year of the retirement or disposal.

Service concession arrangements

Consideration given by the grantor

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 to 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.

Construction services

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

Entrusted operating

Revenue relating to entrusted operating is accounted for in accordance with the policy for "Entrusted operating" and set out in "Revenue" below. Costs for entrusted operating are expensed in the period in which they are incurred.

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

The Group has contractual obligations which it must fulfil as a condition of its licence, that is to operate and maintain the facilities at a specified level of serviceability and to restore the facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to restore the facilities, except for upgrade elements, are recognised and measured in accordance with the policy set out for "Provisions" below.

Notes to Financial Statements

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Intangible assets (other than goodwill) 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.

Operating concessions

Operating concessions representing the rights to operate a photovoltaic power plant and clean heat supply facilities 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 25 to 30 years.

Operating rights

Operating rights represent the rights to operate (i) certain photovoltaic and wind power plants in designated locations according to the contractual arrangements entered into between the Group's project companies and State Grid Corporation of China ("State Grid") for the sale of electricity, operating licences granted by local governments and the existing government policies on the related businesses; and (ii) certain clean heat supply facilities in designated locations according to the contractual arrangements entered into between the Group's project companies and local government authorities for the operating licences granted by local governments. The operating rights were acquired through business combinations and initially measured at fair value. Operating rights are subsequently carried at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

Computer software

Computer software is stated at cost less accumulated amortisation and any impairment losses. Amortisation is provided on the straight-line basis over its estimated useful life of 5 years.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

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

Properties	Over the lease terms
Land leases	Over the lease terms
Photovoltaic and wind power plants	4% to 5%
Clean heat supply facilities	5% to 10%

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

(b) Lease liabilities

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

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

The Group's lease liabilities are included in interest-bearing bank loans and other borrowings.

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

Notes to Financial Statements

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

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

Notes to Financial Statements

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

The Group considers a financial asset to be in default when contractual payments are past due, in general, over 2 to 3 years based on the historical pattern and credit risk management practices of the Group. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets 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

Simplified approach

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

Notes to Financial Statements

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and interest-bearing bank loans and other borrowings and lease liabilities.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

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

Perpetual capital instrument

The perpetual capital instrument with no contracted obligation to repay the principal or to pay any distribution is classified as part of equity.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

Notes to Financial Statements

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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.

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

Notes to Financial Statements

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) *Sale of electricity, provision of clean heat supply services and trading income*

Revenue from the sale of electricity, provision of clean heat supply services and trading income is recognised at the point of time when control of the asset is transferred to the customer, generally on delivery of the electricity or goods. Payment is generally due within 30 days from date of billing for the sale of electricity. For trading income, payment is generally due within 30 days to 90 days from delivery of goods. Payment in advance is normally required for the provision of clean heat supply services.

(b) *Tariff adjustment*

Tariff adjustment, which represents subsidies received and receivable from the government authorities in respect of the Group's photovoltaic and wind power plant operations, is recognised at the point of time when control of the asset is transferred to the customer, generally on delivery of the electricity, and when the Group assessed that it has complied with all conditions to qualify to be registered into the Project List. Payment is generally made upon registering into the Project List.

(c) *Construction services*

Revenue from the provision of construction services, including construction revenue under Build-Operate-Transfer (the "BOT") contracts, 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.

Revenue from the construction of photovoltaic power plants and clean heat supply facilities under the terms of the BOT contracts (service concession agreements) 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 the PRC, and is recognised over time, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

The Group's entitlement to the final payment on the provision of construction services is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

(d) *Provision of technical consultancy services*

Revenue from the provision of technical consultancy services is recognised over time when services are rendered. The services are billed based on the services performed. Payment is generally due within 30 days to 90 days from the date of billing.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(e) *Entrusted operations*

Revenue from the entrusted operations is recognised at the point in time generally upon completion of delivery of services. The services are billed based on the services performed. Payment is generally due within 30 days to 90 days from the date of billing.

Revenue from other sources

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

Other income

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

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

Contract balances

(a) **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, contract assets are 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.

(b) **Trade receivables**

A trade receivable represents the Group's right to an amount of consideration that is unconditional.

(c) **Contract liabilities**

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

Notes to Financial Statements

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

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

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

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

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

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

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

Notes to Financial Statements

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

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

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

Other employee benefits

Defined contribution plans

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employees' salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme. The employer contributions vest fully once made.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the construction in progress, 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.

Foreign currencies

These financial statements are presented in HK\$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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

The functional currencies of certain Mainland China subsidiaries are currencies other than HK\$. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and statements of other comprehensive income are translated into HK\$ at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

For the purpose of the consolidated statement of cash flows, the cash flows of Mainland China and overseas subsidiaries, joint ventures and associates are translated into HK\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of Mainland China subsidiaries which arise throughout the year are translated into HK\$ at the weighted average exchange rates for the year.

Notes to Financial Statements

Year ended 31 December 2021

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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of investments in limited partnerships

The Group has invested in limited partnerships as a junior limited partner. The directors of the Company assessed whether or not the Group has control, joint control or significant influence over these limited partnerships based on whether the Group has the practical ability to direct the relevant activities of these limited partnerships to affect the returns. In making the judgement, the directors considered whether the Group has the power to the relevant activities of the limited partnerships (e.g., investment and operation decisions, approval of budget, etc.) in the limited partnerships' partners meeting, investment committee meetings or any other management committee (if any), and the Group's exposure to variable returns from its involvement in the limited partnerships. After the assessment, the directors concluded that the Group has joint control over the limited partnerships. Further details of the investments in the limited partnerships are set out in note 19 to the financial statements.

Estimation uncertainty

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

Purchase price allocations of the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business

As further detailed in note 38 to the financial statements, the Group acquired a number of entities engaging in the Photovoltaic Power Business and the Wind Power Business during the years ended 31 December 2021 and 2020. The Group engaged independent external valuers to perform the valuation of the identifiable assets acquired and liabilities assumed of the significant subsidiaries acquired. The accounting for business combinations using the acquisition method relied on a significant amount of management's estimates and judgements in respect of the fair value measurement and allocation of the purchase price.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates, if available. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the clean energy sector, the historical default rates are adjusted.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables and contract assets (Continued)

If the historical default information is not available due to the nature of the businesses, especially those receivables related to the construction of the clean energy businesses, the Group has assessed ECLs based on risks of default and the loss given default percentage based on customers segments. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 23 and 24 to the financial statements, respectively.

Provision for expected credit losses on bills receivable and financial assets included in prepayments, deposits and other receivables

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, such as risks of default, losses given default and collateral recovery, changes in which can result in different levels of allowances. The Group's expected credit loss calculations on bills receivable, deposits and other receivables are based on assumptions about risks of default and losses given default. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on credit risks of the debtors or comparable companies in the market, existing market conditions as well as forward-looking estimates (such as gross domestic product, unemployment rate and market volatility) at the end of each reporting period. The Group reviews its models in the context of actual loss experience regularly and adjusts them, when necessary. Further details of the Group's bills receivable and deposits and other receivables, and the impairment disclosures are given in notes 24 and 25 to the financial statements, respectively.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant business units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2021 was HK\$547,837,000 (2020: HK\$490,682,000), details of which are set out in note 15 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 another operating segment. Particulars of the Group's reportable operating segments are summarised as follows: (a) the construction-related business segment engages in the provision of construction services and trading and technical consultancy services of clean energy business; and (b) the operation of clean energy projects segment engages in the investment and development of the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business.

Notes to Financial Statements

Year ended 31 December 2021

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The Group has expanded significantly in the past few years mainly through acquisitions on businesses of the sale of electricity and provision of clean heat supply services. During the year, management has separately reviewed and evaluated for management-related purposes under the above-mentioned segments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment results represent the profit earned by each segment before corporate and other unallocated income and expenses, net, finance costs and share of profits of joint ventures and associates. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

Year ended 31 December 2021

	Construction-related business HK\$'000	Operation of clean energy projects HK\$'000	Total HK\$'000
Segment revenue	1,362,039	5,229,038	6,591,077
Intersegment sales	(567,658)	–	(567,658)
	794,381	5,229,038	6,023,419
Segment results	(623,181)	799,460	176,279
Elimination of intersegment results			(14,693)
Corporate and other unallocated income and expenses, net			(151,496)
Share of profits of:			
Joint ventures			17,815
Associates			36,909
Finance costs			(329,688)
Loss before tax			(264,874)
Other segment information:			
Capital expenditure*			
– Operating segments	19,187	1,404,104	1,423,291
– Amount unallocated			3,507
			1,426,798
Depreciation and amortisation			
– Operating segments	21,669	1,652,389	1,674,058
– Amount unallocated			13,927
			1,687,985
Impairment/(reversal of impairment) of financial assets and contract assets, net **			
– Operating segments	479,878	144,443	624,321
– Amount unallocated			(1,935)
			622,386
Reversal of impairment of an investment in an associate			
– Amount unallocated	–	–	(53,551)
Impairment of property, plant and equipment			
– Operating segments	–	130,722	130,722
Impairment of service concession arrangements			
– Operating segments	–	168,956	168,956

* Capital expenditure consists of additions to property, plant and equipment, operating concessions and other intangible assets, excluding additions of right-of-use assets under property, plant and equipment and assets from the acquisition of subsidiaries.

** These amounts are recognised in the consolidated statement of profit or loss and included impairment of contract assets, net, impairment/(reversal of impairment) of trade and bills receivables and financial assets included in prepayments, deposits and other receivables, net.

Notes to Financial Statements

Year ended 31 December 2021

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

	Construction- related business HK\$'000	Operation of clean energy projects HK\$'000	Total HK\$'000
Segment revenue			
Intersegment sales	3,246,799 (2,025,321)	4,330,313 –	7,577,112 (2,025,321)
	1,221,478	4,330,313	5,551,791
Segment results			
Elimination of intersegment results	259,098	1,377,533	1,636,631
Corporate and other unallocated income and expenses, net			(50,153)
Share of profits of:			(172,814)
Joint ventures			16,450
Associates			2,154
Finance costs			(413,858)
Profit before tax			1,018,410
Other segment information:			
Capital expenditure*			
– Operating segments	13,000	2,635,790	2,648,790
– Amount unallocated			1,107
			2,649,897
Depreciation and amortisation			
– Operating segments	–	1,123,354	1,123,354
– Amount unallocated			57,957
			1,181,311
Impairment/(reversal of impairment) of financial assets and contract assets, net**			
– Operating segments	(897)	(10,145)	(11,042)
– Amount unallocated			25
			(11,017)

* Capital expenditure consists of additions to property, plant and equipment, operating concessions and other intangible assets, excluding assets from the acquisition of subsidiaries.

** These amounts are recognised in the consolidated statement of profit or loss and included impairment of contract assets, net, impairment/(reversal of impairment) of trade and bills receivables and financial assets included in prepayments, deposits and other receivables, net.

No segment assets and liabilities are disclosed as their information is not regularly provided to the chief operating decision makers.

Notes to Financial Statements

Year ended 31 December 2021

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

Geographical segment information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of segment geographical information would provide no additional useful information to the users of these financial statements.

Information about major customers

During the years ended 31 December 2021 and 2020, there was no single external customer, to which the sales were made contributed over 10% of the Group's total revenue for the years.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers		
Sale of electricity with tariff adjustment*		
Photovoltaic Power Business	3,125,977	2,846,277
Wind Power Business	815,895	322,092
Construction services	725,418	1,048,597
Technical consultancy services	68,963	172,881
Entrusted operations	194,734	201,483
Provision of clean heat supply services	1,092,432	960,461
	6,023,419	5,551,791

* Tariff adjustment represents subsidies from the government authorities in respect of the Group's photovoltaic and wind power businesses.

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021 HK\$'000	2020 HK\$'000
By timing of revenue recognition:		
Transferred at a point in time	5,403,709	4,613,051
Transferred over time	619,710	938,740
Total revenue from contracts with customers	6,023,419	5,551,791

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at end of the reporting period are as follows:

	2021 HK\$'000	2020 HK\$'000
Amounts expected to be recognised as revenue:		
Within one year	161,949	909,848
After one year	20,236	61,203
	182,185	971,051

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue in more than one year related to construction services of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

An analysis of the Group's other income and gains, net is as follows:

	2021 HK\$'000	2020 HK\$'000
Bank interest income	6,928	17,205
Other interest income [@]	9,687	25,952
Government grants [#]	57,203	108,422
Gains on bargain purchase of subsidiaries (note 38)	13,922	–
Gains on disposal of joint ventures	3,178	22,025
Gain on remeasurement from step acquisition of a former joint venture to a subsidiary	18,855	–
Gains on disposal of subsidiaries (note 39)	782	3,827
Fair value gain on financial assets at fair value through profit or loss	21,528	20,722
Reversal of impairment of investment in an associate (note 20)	53,551	–
Others	31,260	8,193
	216,894	206,346

[@] Other interest income represents interest income from loans to related parties and independent third parties for the development and operation of clean energy business, further details of which are set out in note 25 to the financial statements.

[#] The government grants mainly represent government subsidies and value-added tax refunds. There are no unfulfilled conditions or contingencies relating to these grants.

Notes to Financial Statements

Year ended 31 December 2021

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2021 HK\$'000	2020 HK\$'000
Cost of sales of electricity		1,594,950	1,014,459
Cost of construction services		688,013	810,700
Cost of technical consultancy services		41,996	67,857
Cost of services in relation to entrusted operations		125,395	124,431
Cost of clean heat supply services		996,542	871,480
Depreciation of property, plant and equipment [®]	13	1,159,238	660,305
Depreciation of right-of-use assets recognised under property, plant and equipment [®]	13	340,230	409,368
Amortisation of operating concessions*	16	127,748	60,566
Amortisation of operating rights*	17	56,973	48,206
Amortisation of other intangible assets [#]	18	3,796	2,866
Lease payments not included in the measurement of lease liabilities		19,075	21,917
Auditor's remuneration		5,782	5,036
Employee benefit expenses (excluding directors' remuneration (note 8)):			
Wages and salaries		179,627	142,046
Equity-settled share option expenses, net	34	7,604	(5,019)
Pension scheme contributions		24,952	17,794
Welfare and other expenses		5,190	3,629
		217,373	158,450
Foreign exchange differences, net		32,677	14,867
Impairment/(reversal of impairment) of financial assets and contract assets, net: **			
Impairment of contract assets, net**	23	21,034	4,552
Impairment/(reversal of impairment) of trade and bills receivables, net**	24	39,951	(5,711)
Impairment/(reversal of impairment) of financial assets included in prepayments, deposits and other receivables, net**	25	561,401	(9,858)
Reversal of impairment of an investment in an associate***	20	(53,551)	–
Impairment of property, plant and equipment**	13	130,722	–
Impairment of service concession arrangements**	16	168,956	–
Fair value loss on investment properties**	14	–	8,000
Gain on remeasurement from step acquisition of a former joint venture to a subsidiary***		(18,855)	–
Gains on disposal of joint ventures***		(3,178)	(22,025)
Losses on disposal of an associate**		30,570	66,384
Losses on disposal of property, plant and equipment**		–	12,200
Fair value loss on financial guarantees**		622	5,896
Gains on disposal of subsidiaries***	39	(782)	(3,827)
Gains on bargain purchase of subsidiaries***	38	(13,922)	–

6. (LOSS)/PROFIT BEFORE TAX (CONTINUED)

- @ Depreciation for the year amounting to HK\$1,489,780,000 and HK\$9,688,000 (2020: HK\$1,058,504,000 and HK\$11,169,000) is included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss, respectively.
- * Amortisation of operating concessions and operating rights for the year are included in "Cost of sales" in the consolidated statement of profit or loss.
- # Amortisation of other intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.
- ** Impairment/(reversal of impairment) of financial assets and contract assets, net, impairment of property, plant and equipment, impairment of service concession arrangements, fair value loss on investment properties, fair value loss on financial guarantees, losses on disposal of an associate and losses on disposal of property, plant and equipment are included in "Other operating expenses, net" in the consolidated statement of profit or loss.
- *** Gain on remeasurement from step acquisition of a former joint venture to a subsidiary, gains on disposal of joint ventures, gains on bargain purchase of subsidiaries, gains on disposal of subsidiaries and reversal of impairment of an investment of an associate for the year are included in "Other income and gains, net" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK\$'000	2020 HK\$'000
Interest on interest-bearing bank loans and other borrowings	819,297	889,314
Interest on lease liabilities	418,009	413,858
Interest on options granted to non-controlling interests	205,849	86,889
Interest on corporate bonds	99,563	69,238
Total interest expenses on financial liabilities not at fair value through profit or loss	1,542,718	1,459,299
Less: Interest capitalised	(23,976)	(135,570)
	1,518,742	1,323,729

Notes to Financial Statements

Year ended 31 December 2021

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to 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:

	2021 HK\$'000	2020 HK\$'000
Fees	1,186	1,078
Other emoluments:		
Salaries, allowances and benefits in kind	14,894	3,015
Performance related bonuses*	4,141	4,023
Equity-settled share option expense#	7,079	12,481
Pension scheme contributions	140	53
Total	27,440	20,650

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the Group's operating results, their individual performances and their contributions to the Group.

No reversal of the costs of equity-settled transactions for the year ended 31 December 2021. Certain costs of equity-settled transactions recognised in prior periods were reversed during the year ended 31 December 2020 due to lapse of share options of 400,000,000 and 30,000,000 ordinary shares of the Company by resignation of Mr. Huang Weihua, an executive director, and the waiver of share options by Ms. Huang Danxia, an executive director in September 2020, respectively.

Further details of share options are set out in note 34 to the financial statements.

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive Directors

The remuneration paid to independent non-executive Directors during the year were as follows:

2021

Remuneration in cash nature	Fees HK\$'000	Total remuneration in cash nature HK\$'000
Independent non-executive Directors:		
Mr. Li Fujun	144	144
Mr. Xu Honghua	144	144
Mr. Chiu Kung Chik	144	144
	432	432
Remuneration in non-cash nature	Equity-settled share option expense HK\$'000	Total remuneration in non-cash nature HK\$'000
Independent non-executive Directors:		
Mr. Li Fujun	107	107
Mr. Xu Honghua	107	107
Mr. Chiu Kung Chik	107	107
	321	321
Total		753

Notes to Financial Statements

Year ended 31 December 2021

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive Directors (Continued)

2020

Remuneration in cash nature	Fees HK\$'000	Total remuneration in cash nature HK\$'000
Independent non-executive Directors:		
Mr. Li Fujun	144	144
Mr. Xu Honghua	144	144
Mr. Chiu Kung Chik	144	144
	432	432
Remuneration in non-cash nature	Equity-settled share option expense HK\$'000	Total remuneration in non-cash nature HK\$'000
Independent non-executive Directors:		
Mr. Li Fujun	148	148
Mr. Xu Honghua	148	148
Mr. Chiu Kung Chik	148	148
	444	444
Total		876

There were no other emoluments payable to the independent non-executive Directors during the year (2020: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive Directors

The remuneration paid to executive Directors during the year were as follows:

2021

Remuneration in cash nature	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration in cash nature HK\$'000
Executive Directors:					
Mr. Zhang Tiefu [#]	89	1,225	750	33	2,097
Mr. Hu Xiaoyong ^{&}	144	11,094 ⁺	1,262	10	12,510
Mr. Yang Guang [^]	89	1,225	750	33	2,097
Mr. Shi Xiaobei [%]	144	–	–	–	144
Mr. Tan Zaixing	144	1,350	1,379	64	2,937
Ms. Huang Danxia	144	–	–	–	144
	754	14,894	4,141	140	19,929

Remuneration in non-cash nature	Equity-settled share option expense HK\$'000	Total remuneration in non-cash nature HK\$'000
Executive Directors:		
Mr. Zhang Tiefu [#]	–	–
Mr. Hu Xiaoyong ^{&}	5,990	5,990
Mr. Yang Guang [^]	–	–
Mr. Shi Xiaobei [%]	–	–
Mr. Tan Zaixing	768	768
Ms. Huang Danxia	–	–
	6,758	6,758
Total		26,687

[#] Appointed as an executive Director on 21 May 2021 and as the Joint Chairman of the Company on 29 July 2021.

[&] Appointed as the Joint Chairman of the Company on 29 July 2021.

[^] Appointed as an executive Director and as the Chief Executive Officer of the Company on 21 May 2021.

[%] Resigned as the Chief Executive Officer of the Company on 21 May 2021.

⁺ In 2021, the Board approved a salary payment for the years of 2019 and 2020, and for the six months ended 30 June 2021, to Mr. Hu Xiaoyong in the total amount of HK\$10 million.

Notes to Financial Statements

Year ended 31 December 2021

8. DIRECTORS' REMUNERATION (CONTINUED) (b) Executive Directors (Continued)

2020

Remuneration in cash nature	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration in cash nature HK\$'000
Executive Directors:					
Mr. Hu Xiaoyong	144	-	11	-	155
Mr. Shi Xiaobei	144	-	-	-	144
Mr. Tan Zaixing	144	1,811	4,012	27	5,994
Ms. Huang Danxia	144	-	-	-	144
Mr. Huang Weihua [#]	70	1,204	-	26	1,300
	646	3,015	4,023	53	7,737
Remuneration in non-cash nature				Equity-settled share option expense HK\$'000	Total remuneration in non-cash nature HK\$'000
Executive Directors:					
Mr. Hu Xiaoyong				8,719	8,719
Mr. Shi Xiaobei				-	-
Mr. Tan Zaixing				226	226
Ms. Huang Danxia				-	-
Mr. Huang Weihua [#]				3,092	3,092
				12,037	12,037
Total					19,774

[#] Resigned as an executive Director on 26 June 2020 (The remuneration in his tenure as executive Director of the Company is HK\$4,392,000).

During the years ended 31 December 2017 and 31 December 2020, share options were granted to the Directors in respect of their services to the Group under the share option scheme of the Company, details of which are set out in note 34 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined at the date of grant and the amounts included in the financial statements for the current year is included in the above Directors' disclosures.

During the Year, there was no agreement under which a director waived or agreed to waive any remuneration (2020: 400,000,000 share options granted were lapsed following resignation of Mr. Huang Weihua on 26 June 2020 and 30,000,000 share options granted to Ms. Huang Danxia were lapsed on 21 September 2020). No director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2020: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2020: two) non-Directors highest paid employees are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and benefits in kind	673	1,537
Performance related bonuses	857	2,643
Equity-settled share option expense	29	20
Pension scheme contributions	61	54
Total	1,620	4,254

The number of non-Directors highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021 HK\$'000	2020 HK\$'000
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,500,001 to HK\$3,000,000	–	1
	1	2

During the year ended 31 December 2020, share options were granted to non-directors highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 34 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-directors highest paid employees' remuneration disclosures.

Notes to Financial Statements

Year ended 31 December 2021

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2020: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on the prevailing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions because (i) these companies are engaged in the operation of photovoltaic and wind power plants; and (ii) they have operations in certain regions of the PRC that are qualified for certain concessionary corporate income tax rates.

	2021 HK\$'000	2020 HK\$'000
Current – Mainland China		
Charge for the year	217,448	200,872
Underprovision/(overprovision) in prior years	4,058	(31,633)
Deferred (note 32)	(197,546)	(37,269)
Total tax expense for the year	23,960	131,970

A reconciliation of the tax expense applicable to (loss)/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 for the year is as follows:

	2021 HK\$'000	2020 HK\$'000
(Loss)/profit before tax	(264,874)	1,018,410
Tax (credit)/expense at the statutory tax rate	(66,219)	262,020
Tax concession	(188,978)	(217,988)
Adjustments in respect of current tax of previous periods	4,058	(31,633)
Profit attributable to joint ventures and associates	(13,681)	(4,651)
Income not subject to tax	(4,373)	(23,213)
Expenses not deductible for tax	108,754	161,785
Tax losses not recognised	202,033	26,301
Tax losses utilised from previous periods	(17,634)	(40,651)
Tax expense for the year	23,960	131,970

Share of tax expense attributable to joint ventures amounting to HK\$6,964,000 (2020: HK\$2,000) and the share of tax expense attributable to associates amounting to HK\$12,303,000 (2020: HK\$6,502,000) are included in "Share of profits of joint ventures and associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit attributable to the equity holders of the Company, adjusted for the distribution related to the perpetual capital instrument, for the years ended 31 December 2021 and 2020, and the number of ordinary shares in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
(Loss)/earnings		
(Loss)/profit for the year attributable to equity holders of the Company	(321,312)	763,694
Distribution related to the perpetual capital instrument	(70,267)	(77,192)
(Loss)/profit used in the basic and diluted (loss)/earnings per share calculations	(391,579)	686,502
	2021	2020 (Restated)
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation	63,525,397,057	63,525,397,057
Basic (loss)/earnings per share	HK(0.62) cent	HK1.08 cents
Diluted (loss)/earnings per share	HK(0.62) cent	HK1.08 cents

Notes to Financial Statements

Year ended 31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets					Owned assets									Sub-total	Total	
	Properties	Land leases	Photovoltaic and wind power plants	Clean heat supply facilities	Sub-total	Buildings	Leasehold improvements	Photovoltaic and wind power plants	Clean heat supply facilities	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress				
														HKS'000			HKS'000
31 December 2021																	
At 1 January 2021																	
Cost	554,467	775,457	8,066,019	90,064	9,486,007	348,571	14,417	17,618,626	716,381	74	17,044	96,751	1,594,925	20,406,789	29,892,796		
Accumulated depreciation	(47,392)	(58,450)	(1,990,978)	(90,064)	(2,186,884)	(93,288)	(9,512)	(1,171,040)	(16,752)	(34)	(8,098)	(60,159)	-	(1,358,883)	(3,545,767)		
Net carrying amount	507,075	717,007	6,075,041	-	7,299,123	255,283	4,905	16,447,586	699,629	40	8,946	36,592	1,594,925	19,047,906	26,347,029		
At 1 January 2021	507,075	717,007	6,075,041	-	7,299,123	255,283	4,905	16,447,586	699,629	40	8,946	36,592	1,594,925	19,047,906	26,347,029		
Additions	84,541	62,736	23,792	-	171,069	-	-	430,713	4,521	78	1,620	4,455	905,454	1,346,841	1,517,910		
Impairment losses (note 4)	-	-	-	-	-	-	-	(117,505)	-	-	-	-	(13,217)	(130,722)	(130,722)		
Disposals	-	-	-	-	-	-	-	(158)	(1,573)	(24)	(6)	(3,865)	-	(5,626)	(5,626)		
Acquisition of subsidiaries (note 38)	15,461	-	290,041	-	305,502	-	-	267,070	-	-	293	36	66,363	333,762	639,264		
Depreciation provided during the year (note 6)	(27,403)	(32,184)	(280,643)	-	(340,230)	(22,020)	(72)	(1,045,649)	(62,054)	(5,820)	(3,390)	(20,233)	-	(1,159,238)	(1,499,468)		
Transfers	-	-	(886,200)	-	(886,200)	182,909	(4,813)	2,113,465	372,639	118,922	-	76,744	(1,973,666)	886,200	-		
Exchange realignment	17,620	23,650	180,897	-	222,167	9,592	69	567,712	28,051	1,985	262	2,168	32,012	641,851	864,018		
At 31 December 2021, net of accumulated depreciation	597,294	771,209	5,402,928	-	6,771,431	425,764	89	18,663,234	1,041,213	115,181	7,725	95,897	611,871	20,960,974	27,732,405		
At 31 December 2021:																	
Cost	670,592	863,437	6,305,610	-	7,839,639	518,581	1,272	22,369,733	1,195,083	124,124	22,445	181,446	625,319	25,038,003	32,877,642		
Accumulated depreciation	(73,298)	(92,228)	(902,682)	-	(1,068,208)	(92,817)	(1,183)	(3,706,499)	(153,870)	(8,943)	(14,720)	(85,549)	(13,448)	(4,077,029)	(5,145,237)		
Net carrying amount	597,294	771,209	5,402,928	-	6,771,431	425,764	89	18,663,234	1,041,213	115,181	7,725	95,897	611,871	20,960,974	27,732,405		

Notes to Financial Statements

Year ended 31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Right-of-use assets					Owned assets								Sub-total HK\$'000	Total HK\$'000
	Properties HK\$'000	Land leases HK\$'000	Photovoltaic and wind power plants HK\$'000	Clean heat supply facilities HK\$'000	Sub-total HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Photovoltaic and wind power plants HK\$'000	Clean heat supply facilities HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Construction in progress HK\$'000		
31 December 2020															
At 1 January 2020															
Cost	343,317	655,865	15,250,100	702,745	16,952,027	308,821	13,654	3,933,274	38,704	71	21,443	87,189	3,381,986	7,785,142	24,737,169
Accumulated depreciation	(22,720)	(26,291)	(1,532,212)	(71,397)	(1,652,620)	(69,128)	(4,040)	(592,223)	(5,355)	(33)	(4,968)	(24,901)	-	(700,648)	(2,353,268)
Net carrying amount	320,597	629,574	13,717,888	631,348	15,299,407	239,693	9,614	3,341,051	33,349	38	16,475	62,288	3,381,986	7,084,494	22,383,901
At 1 January 2020	320,597	629,574	13,717,888	631,348	15,299,407	239,693	9,614	3,341,051	33,349	38	16,475	62,288	3,381,986	7,084,494	22,383,901
Additions	41,313	143,506	459,862	-	644,681	54,969	-	221,261	13,350	-	2,417	21,155	1,444,345	1,757,497	2,402,178
Disposals	-	-	-	-	-	(27,544)	-	(28,553)	(22,485)	-	(7,832)	(22,545)	(11,985)	(120,944)	(120,944)
Acquisition of subsidiaries (note 38)	140,754	-	-	-	140,754	-	-	1,985,912	2,187	-	-	-	40,939	2,029,038	2,169,792
Depreciation provided during the year (note 6)	(22,031)	(28,911)	(344,919)	(13,507)	(409,368)	(20,866)	(5,011)	(594,737)	(10,477)	-	(2,672)	(26,542)	-	(660,305)	(1,069,673)
Disposal of subsidiaries (note 39)	-	(68,555)	-	-	(68,555)	-	-	(834,428)	-	-	-	-	(124,639)	(959,067)	(1,027,622)
Transfers	-	-	(8,150,972)	(621,035)	(8,772,007)	-	-	11,364,376	646,246	-	-	-	(3,238,615)	8,772,007	-
Exchange realignment	26,442	41,393	393,182	3,194	464,211	9,031	302	992,704	37,459	2	558	2,236	102,894	1,145,186	1,609,397
At 31 December 2020, net of accumulated depreciation	507,075	717,007	6,075,041	-	7,299,123	255,283	4,905	16,447,586	699,629	40	8,946	36,592	1,594,925	19,047,906	26,347,029
At 31 December 2020:															
Cost	554,467	775,457	8,066,019	90,064	9,486,007	348,571	14,417	17,618,626	716,381	74	17,044	96,751	1,594,925	20,406,789	29,892,796
Accumulated depreciation	(47,392)	(58,450)	(1,990,978)	(90,064)	(2,186,884)	(93,288)	(9,512)	(1,171,040)	(16,752)	(34)	(8,098)	(60,159)	-	(1,358,883)	(3,545,767)
Net carrying amount	507,075	717,007	6,075,041	-	7,299,123	255,283	4,905	16,447,586	699,629	40	8,946	36,592	1,594,925	19,047,906	26,347,029

At 31 December 2021, certain of the Group's property, plant and equipment with a net carrying amount of HK\$12,702,970,000 (2020: HK\$9,515,810,000) were also pledged to secure certain interest-bearing bank loans and other borrowings (note 30(b)(iii)).

Notes to Financial Statements

Year ended 31 December 2021

14. INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
Carrying amount at 1 January	162,000	170,000
Fair value loss on revaluation (note 6)	–	(8,000)
Carrying amount at 31 December	162,000	162,000

Notes:

- (a) The Group's investment properties consist of an office floor and 4 car parking spaces in Hong Kong and were revalued on 31 December 2021 based on valuations performed by an independent professionally qualified valuer. Each year, the Group's senior management decides 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's senior management has ongoing discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

- (b) Fair value hierarchy disclosure

The fair value of the Group's investment properties was measured using significant unobservable inputs (Level 3 of fair value hierarchy) as defined in HKFRS 13. A reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy is as follows:

	Office floor and parking spaces HK\$'000
Carrying amount at 1 January 2020	170,000
Loss from a fair value adjustment recognised in other operating expenses, net in profit or loss	(8,000)
Carrying amount at 31 December 2020, 1 January 2021 and 31 December 2021	162,000

Below is a summary of the valuation technique used and the key inputs to the valuation of the Group's investment properties:

Valuation technique	Significant unobservable inputs	Weighted average input	
Direct comparison method	Price per square feet	As at 31 December 2021	As at 31 December 2020
		Office floor: HK\$17,300 per square feet	Office floor: HK\$16,969 per square feet
		Car parking spaces: HK\$1,800,000 per space	Car parking spaces: HK\$1,700,000 per space

The valuation of the investment properties was based on the direct comparison method by reference to comparable market transactions. A significant increase (decrease) in the estimated rental value per annum in isolation would result in a significant increase (decrease) in the fair value of the properties.

15. GOODWILL

	Notes	2021 HK\$'000	2020 HK\$'000
Cost and net carrying amount:			
At 1 January		490,682	495,556
Acquisition of subsidiaries	38	41,038	–
Disposal of subsidiaries	39	–	(34,769)
Exchange realignment		16,117	29,895
At 31 December		547,837	490,682

Impairment testing of goodwill

The carrying amount of the goodwill acquired through acquisitions of subsidiaries is separated into the investment, development, construction, operation and management of (i) the Photovoltaic Power Business and the Wind Power Business; and (ii) the Clean Heat Supply Business.

	2021 HK\$'000	2020 HK\$'000
Carrying amount of goodwill		
Photovoltaic Power Business and Wind Power Business	447,914	393,680
Clean Heat Supply Business	99,923	97,002
	547,837	490,682

The recoverable amounts have been determined by reference to business valuations performed by the independent professionally qualified valuers, using cash flow projections which are based on financial forecast approved by senior management covering a period up to 20 years for the Wind Power Business, and up to 25 years for the Photovoltaic Power Business and the Clean Heat Supply Business, based on the assumption that the size of the operations remains constant.

Notes to Financial Statements

Year ended 31 December 2021

15. GOODWILL (CONTINUED)

Key assumptions used in estimations of the recoverable amounts

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

Photovoltaic Power Business and Wind Power Business

- Budgeted revenue
 - The budgeted revenue is based on the projected electricity sales volume and the latest electricity selling prices and tariff charges as issued by the National Development and Reform Commission of the PRC applicable to the respective projects.
- Budgeted gross margin
 - The basis used to determine the value assigned to the budgeted gross margin is the weighted average gross margins of ranging from 58.0% to 65.3% (2020: 62.2% to 68.6%) achieved in the year immediately before the budget year with reference to the respective projects, and the expected market development.
- Discount rate
 - The pre-tax discount rates of ranging from 7.26% to 9.53% (2020: 11.4%) are used and reflects specific risks of the respective units (group of cash-generating units) and is determined by reference to the discount rates for similar industries.
- Business environment
 - There will be no major changes in the existing political, legal and economic conditions in Mainland China.

The determination of the recoverable amount of the Photovoltaic Power Business and the Wind Power Business cash-generating units (group of cash-generating units) was particularly sensitive to changes in the discount rate for the year ended 31 December 2021. An increase of 0.5% (2020: 0.5%) in the discount rate adopted would result in the reduction of the recoverable amount of HK\$351 million (2020: HK\$951 million).

15. GOODWILL (CONTINUED)

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

Clean Heat Supply Business

- Budgeted revenue
 - The budgeted revenue is based on the projected area for clean heat supply and the clean heat supply sales unit price.
- Budgeted gross margin
 - The basis used to determine the value assigned to the budgeted gross margin is the weighted average gross margin of 8.8% (2020: 9.3%) achieved in the year immediately before the budget year with reference to the respective projects, and the expected market development.
- Discount rate
 - The pre-tax discount rates of ranging from 7.77% to 9.92% (2020: 13.0%) are used and reflects specific risks of the respective units (group of cash-generating units) and is determined by reference to the discount rates for similar industries.
- Business environment
 - There will be no major changes in the existing political, legal and economic conditions in Mainland China.

The determination of the recoverable amount of the Clean Heat Supply Business cash-generating units (group of cash-generating units) was particularly sensitive to changes in the following key assumptions for the year ended 31 December 2021:

- An increase of 0.5% (2020: 0.5%) in the discount rate adopted would result in the reduction of the recoverable amount of HK\$39 million (2020: HK\$122 million).
- An increase of 0.5% (2020: 0.5%) in the cost inflation of clean heat materials would result in the reduction of the recoverable amount of HK\$150 million (2020: HK\$194 million).

In the opinion of the Directors, any reasonably possible change in any of the above assumptions would not cause the cash-generating units' recoverable amounts to fall below their carrying amounts.

Notes to Financial Statements

Year ended 31 December 2021

16. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into certain service concession arrangements with governmental authorities in Mainland China on a Build-Operate-Transfer (the "BOT") basis in respect of its Photovoltaic Power Business and Clean Heat Supply Business. These service concession arrangements generally involve the Group as an operator in (i) constructing photovoltaic power plants and clean heat supply facilities (collectively, the "Facilities") for those arrangements on a BOT basis; and (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 25 to 30 years (the "Service Concession Periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through specific pricing mechanisms. The Group is generally entitled to use all the property, plant and equipment of the Facilities, however, the relevant governmental authorities as grantors will control and regulate the scope of services that the Group must provide with the Facilities, and retain the beneficial entitlement to any residual interest in the Facilities at the end of the terms of the Service Concession Periods.

Each of these service concession arrangements is governed by a contract and, where applicable, supplemental agreements entered into between the Group and the relevant governmental authority in Mainland China setting out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations imposed on the Group to restore the Facilities to a specified level of serviceability at the end of the Service Concession Period, and/or arrangements for arbitrating disputes.

At 31 December 2021, the Group had 1 and 4 (2020: 1 and 4) service concession arrangements in the operation on the Photovoltaic Power Business and the Clean Heat Supply Business, respectively, with the respective governmental authorities in Mainland China, and a summary of the major terms of these service concession arrangements is set out as below:

Name of company as operator	Name of project	Location	Name of grantor	Type of service concession arrangement	Service concession period
新泰北控清潔能源有限公司 (Xintai BE Clean Energy Company Limited*)	新泰市採煤沉陷區光伏領跑技術基地100MW項目 (A 100MW project in the advanced photovoltaic technology demonstration base in the coal mining subsidence area of Xintai City*)	Xintai City, Shandong Province, the PRC*	新泰市人民政府 (Xintai City People's Government*)	BOT on sale of photovoltaic power	25 years from 2017 to 2042
山西北控綠環能科技有限公司 (Shanxi BE Lvwei Huanneng Technology Company Limited*)	山西興縣燃氣供熱項目 (A natural gas heat supply project in Xing County, Shanxi Province*)	Xing County, Lvliang City, Shanxi Province the PRC*	興縣住房保障和城鄉建設管理局 (Xing County Housing Protection and Urban-Rural Development Administration*)	BOT on natural gas heat supply services	30 years from 2017 to 2047

16. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Name of company as operator	Name of project	Location	Name of grantor	Type of service concession arrangement	Service concession period
安澤縣北控熱力有限公司 (Anze County Beijing Enterprises Heat Energy Company Limited*)	山西省臨汾市安澤縣 城區集中供熱項目 (A centralised city heat supply project in Anze County, Linfen City, Shanxi Province*)	Anze County, Linfen City, Shanxi Province, the PRC*	安澤縣人民政府 (Anze County People's Government*)	BOT on clean heat supply	30 years from 2017 to 2047
山西北控文水供熱有限公司 (Shanxi Beijing Enterprises Wenshui Heat Supply Company Limited*)	山西省呂梁市文水縣 城市集中供熱項目 (A centralised city heat supply project in Wenshui County, Lvliang City, Shanxi Province*)	Wenshui County, Lvliang City, Shanxi Province, the PRC*	文水縣人民政府 (Wenshui County People's Government*)	BOT on clean heat supply	30 years from 2014 to 2044
長子縣北控供熱有限公司/ 長子縣利通熱力有限公司 (Zhangzixian Beijing Enterprises Heat Supply Company Ltd.* / Zhangzixian Litong Heat Supply Company Ltd.*)	山西省長治市長子縣 城區集中供熱項目 (A centralised city heat supply project in Zhangzi County, Changzhi City, Shanxi Province*)	Zhangzi County, Changzhi City, Shanxi Province, the PRC*	長子縣人民政府 (Zhangzi County People's Government*)	BOT on clean heat supply	30 years from 2015 to 2045

Pursuant to the service concession agreements entered into by the Group, the Group is granted the rights to use the property, plant and equipment of the Facilities and the related land, which are generally registered under the names of the relevant companies in the Group during the Service Concession Periods, but the Group is generally required to surrender these property, plant and equipment to the grantors at a specified level of serviceability at the end of the respective Service Concession Periods.

Notes to Financial Statements

Year ended 31 December 2021

16. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

As further explained in the accounting policy for “Service concession arrangements” set out in note 2.4 to the financial statements, the rights to operate the Facilities are stated at cost less accumulated amortisation and any accumulated impairment losses, and are accounted for as intangible assets (i.e. operating concessions). The following is the summarised information of the operating concessions with respect to the Group’s service concession arrangements:

	Note	2021 HK\$'000	2020 HK\$'000
At 1 January:			
Cost		2,497,962	2,107,575
Accumulated amortisation		(209,609)	(137,178)
Net carrying amount		2,288,353	1,970,397
At 1 January		2,288,353	1,970,397
Additions		76,450	246,612
Impairment losses	6	(168,956)	–
Amortisation provided during the year	6	(127,748)	(60,566)
Exchange realignment		69,912	131,910
At 31 December		2,138,011	2,288,353
At 31 December:			
Cost		2,656,282	2,497,962
Accumulated amortisation		(518,271)	(209,609)
Net carrying amount		2,138,011	2,288,353

At 31 December 2021, concession rights of the Group included in service concession arrangements with an aggregate carrying amount of HK\$1,118,580,000 (2020: HK\$1,330,950,000) were pledged to secure certain lease liabilities of the Group (note 30(b)(iv)).

17. OPERATING RIGHTS

Operating rights represent the rights to operate (i) certain photovoltaic and wind power plants in designated locations according to the contractual arrangements entered into between the Group's project companies and State Grid for the sale of electricity, operating licences granted by governmental authorities in Mainland China and the existing government policies on the related businesses; and (ii) certain clean heat supply facilities in designated locations according to the contractual arrangements entered into between the Group's project companies and governmental authorities in Mainland China for the operating licences granted by relevant governmental authorities. The operating rights were acquired through business combinations and initially measured at fair value.

	Notes	2021 HK\$'000	2020 HK\$'000
At 1 January:			
Cost		1,150,084	1,037,895
Accumulated amortisation		(160,679)	(103,388)
Net carrying amount		989,405	934,507
At 1 January		989,405	934,507
Acquisition of subsidiaries	38	56,428	63,243
Amortisation provided during the year	6	(56,973)	(48,206)
Disposal of subsidiaries	39	–	(17,590)
Exchange realignment		31,888	57,451
At 31 December		1,020,748	989,405
At 31 December:			
Cost		1,242,835	1,150,084
Accumulated amortisation		(222,087)	(160,679)
Net carrying amount		1,020,748	989,405

Notes to Financial Statements

Year ended 31 December 2021

18. OTHER INTANGIBLE ASSETS

	Note	Computer software	
		2021 HK\$'000	2020 HK\$'000
At 1 January:			
Cost		55,850	51,506
Accumulated amortisation		(36,189)	(31,236)
Net carrying amount		19,661	20,270
At 1 January		19,661	20,270
Additions		3,507	1,107
Amortisation provided during the year	6	(3,796)	(2,866)
Exchange realignment		629	1,150
At 31 December		20,001	19,661
At 31 December:			
Cost		61,219	55,850
Accumulated amortisation		(41,218)	(36,189)
Net carrying amount		20,001	19,661

19. INVESTMENTS IN JOINT VENTURES

	2021 HK\$'000	2020 HK\$'000
Share of net assets	473,450	423,703
Goodwill on acquisition	23,709	24,178
	497,159	447,881

The Group's amounts due from the joint ventures are disclosed in note 25 to the financial statements.

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

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

	2021 HK\$'000	2020 HK\$'000
Share of the joint ventures' profit for the year	17,815	16,450
Share of the joint ventures' total comprehensive income for the year	32,854	41,616
Aggregate carrying amount of the Group's investments in joint ventures	497,159	447,881

Since 2017, the Group entered into certain partnership agreements with certain senior limited partners in relation to the establishment and management of some limited partnerships, pursuant which to these senior limited partners are entitled to preferential returns based on its actual capital contribution.

In connection with these limited partnerships, the Group and certain general partners or junior limited partners made undertakings to the senior limited partners on a joint and several basis, to procure (i) each of their outstanding capital contributions to the related limited partnerships as at the end of each of the limited partnerships; and (ii) the distributions or preferential returns to be payable by the limited partnerships to certain partners.

The Group has engaged an independent professionally qualified valuer to measure the fair value of these guarantees provided by the Group. In the opinion of the Directors, the fair value of these guarantees is not material that no separate disclosure is made.

Notes to Financial Statements

Year ended 31 December 2021

20. INVESTMENTS IN ASSOCIATES

	Note	2021 HK\$'000	2020 HK\$'000
Share of net assets		574,056	386,890
Goodwill on acquisition		556,907	620,615
		1,130,963	1,007,505
Less: Impairment	(a)	(1,538)	(54,304)
		1,129,425	953,201

Note:

- (a) During the year ended 31 December 2021, a reversal of impairment of HK\$53,551,000 has been provided as the recoverable amount of the investment was more than the carrying amount of the investment. The reversal of impairment arose as a result of the good performance and expected performance of an associate.

The recoverable amounts have been determined by reference to business valuations performed by the independent professionally qualified valuers, using cash flow projections which are based on financial forecast approved by senior management covering a period up to 5 years and adopted a terminal growth rate of 0% beyond the fifth year. The pre-tax discount rate applied to cash flow projections is 9.16%.

Assumptions were used in the estimation of the recoverable amount of the associate for the year ended 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

Sales growth rates and budgeted gross margins – Based on expected market development and management experience in the industry.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the associate.

The Group's amounts due from the associates are disclosed in note 25 to the financial statements.

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

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

	2021 HK\$'000	2020 HK\$'000
Share of the associates' profit for the year	36,909	2,154
Share of the associates' total comprehensive income for the year	70,147	56,610
Aggregate carrying amount of the Group's investments in associates	1,129,425	953,201
Market value of the Group's listed investment	1,111,435	632,583

Notes to Financial Statements

Year ended 31 December 2021

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$'000	2020 HK\$'000
Unlisted investments, at fair value	581,123	813,145
Portion classified as current assets	(581,123)	–
Non-current portion	–	813,145

The above unlisted investments represent the investments in asset management funds and private equity funds in the PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

22. OTHER NON-CURRENT ASSETS, OTHER CURRENT LIABILITIES AND OTHER NON-CURRENT LIABILITIES

	Notes	2021 HK\$'000	2020 HK\$'000
Other non-current assets	(a)	1,332,003	812,690
Other non-current liabilities			
Other non-current liabilities	(a)	1,547,605	943,487
Financial liabilities of options granted to non-controlling interests	(b)	2,805,013	1,398,038
Guarantees given to third parties and related parties		7,061	6,227
Portion classified as current liabilities		4,359,679 (1,577,945)	2,347,752 –
Non-current portion		2,781,734	2,347,752

Notes:

- (a) Other non-current assets/liabilities represent the cost of equipment/contracted selling price of equipment delivered to and construction services provided to third party project companies, respectively, under certain contracts for photovoltaic and wind power plant development, and there are possibilities that those third party project companies would be acquired by the Group subsequently.
- (b) Included in other current liabilities and other non-current liabilities of the Group as at 31 December 2021 were financial liabilities at amortised cost for options granted to certain non-controlling interests of a subsidiary under which the non-controlling interests shall have the right to request certain of the Group's subsidiaries to repurchase the equity interests in a subsidiary of the Group held by the non-controlling interests at any time after the occurrence of certain events.

Notes to Financial Statements

Year ended 31 December 2021

23. CONTRACT ASSETS

	Notes	2021 HK\$'000	2020 HK\$'000
Tariff adjustment receivables	(a)	839,064	2,243,990
Construction contracts	(b)	458,853	992,062
Retention money	(b)	113,638	278,435
		1,411,555	3,514,487
Less: Impairment	(c)	(57,602)	(36,928)
Total		1,353,953	3,477,559

Notes:

- (a) Tariff adjustment receivables included in contract assets represented the central government renewable energy subsidy for the Group's photovoltaic and wind power plant projects that are to be billed and settled upon entering into the list of national renewable energy power generation subsidies for the renewable energy power generation projects (the "Project List"). In the opinion of the Directors, the registration procedures of the Project List for the Group's photovoltaic and wind power plant projects are of administrative in nature and the Group will comply with the related procedures stipulated by the current government policy in Mainland China and all other attaching conditions, if any.
- (b) Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on construction progress. Included in contract assets for construction services are retention receivables. Upon completion of certain milestones as agreed with customers and such being accepted by them, the amounts recognised as contract assets are reclassified to trade receivables.
- (c) The movements in the loss allowance for impairment of contract assets are as follows:

	2021 HK\$'000	2020 HK\$'000
At beginning of year	36,928	30,255
Impairment losses, net (note 6)	21,034	4,552
Exchange realignment	(360)	2,121
At end of year	57,602	36,928

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses on the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on the groupings of various customer segments with similar loss patterns (i.e., customer type).

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

	2021	2020
Expected credit loss rate	4.08%	1.05%
Gross carrying amount (HK\$'000)	1,411,555	3,514,487
Expected credit losses (HK\$'000)	57,602	36,928

Notes to Financial Statements

Year ended 31 December 2021

24. TRADE AND BILLS RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	2,261,296	2,209,810
Bills receivable	172,654	462,106
	2,433,950	2,671,916
Tariff adjustment receivables	7,646,618	4,421,733
	10,080,568	7,093,649
Less: Impairment	(73,775)	(35,752)
Total	10,006,793	7,057,897

Notes:

- (a) The Group's trading terms with its customers are mainly on credit, except for certain new customers where payment in advance is normally required. The Group generally allows credit periods of 30 days to 90 days to its customers, and generally accepts settlement of certain trade receivables by bank and commercial bills with maturity periods ranging from 90 days to 180 days.

Management seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade receivables are non-interest-bearing.

- (b) Certain subsidiaries engaging in the operation of clean energy businesses have pledged trade receivables and contract assets to secure certain bank loans and other borrowings (note 30(b)(ii)).
- (c) The ageing analysis of trade and bills receivables (excluding tariff adjustment receivables, net of loss allowance) as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021 HK\$'000	2020 HK\$'000
Within 3 months	934,851	1,216,996
4 to 6 months	127,366	154,612
7 to 12 months	239,909	236,671
1 to 2 years	528,315	733,308
Over 2 years	535,936	301,589
	2,366,377	2,643,176

Notes to Financial Statements

Year ended 31 December 2021

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

Notes: (Continued)

(c) (Continued)

The ageing analysis of the tariff adjustment receivables as at the end of the reporting period, based on the revenue recognition date and net of loss allowance, is as follows:

	2021 HK\$'000	2020 HK\$'000
Within 3 months	1,497,335	534,373
4 to 6 months	804,237	366,141
7 to 12 months	1,270,687	716,250
1 to 2 years	1,503,687	1,306,300
Over 2 years	2,564,470	1,491,657
	7,640,416	4,414,721

Tariff adjustment receivables included in trade receivables represent the central government renewable energy subsidy for the Group's photovoltaic and wind power plant projects that have been registered into the Project List.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

As at 31 December 2021:

	Current	Past due				Total
		Less than 6 months	7 to 12 months	1 to 2 years	Over 2 years	
Expected credit loss rate	0.20%	1.07%	1.37%	1.66%	19.32%	0.74%
Gross carrying amount (HK\$'000)	8,908,861	190,207	140,005	439,685	229,156	9,907,914
Expected credit losses (HK\$'000)	17,431	2,038	1,921	7,312	44,283	72,985

As at 31 December 2020:

	Current	Past due				Total
		Less than 6 months	7 to 12 months	1 to 2 years	Over 2 years	
Expected credit loss rate	0.18%	0.35%	0.59%	1.29%	9.94%	0.53%
Gross carrying amount (HK\$'000)	5,189,096	364,764	465,361	455,646	156,676	6,631,543
Expected credit losses (HK\$'000)	9,406	1,276	2,723	5,876	15,568	34,849

For bills receivable, impairment analysis is performed at each reporting date by considering the probability of default of comparable companies. The measurement of impairment is a function of the probability of default, loss given default and the exposure at default. A loss allowance of HK\$790,000 (2020: HK\$903,000) was provided for bills receivable as at 31 December 2021.

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

Notes: (Continued)

(d) The movements in the Group's loss allowance for expected credit losses on trade and bills receivables during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
At beginning of year	35,752	39,359
Impairment losses/(reversal of impairment), net (note 6)	39,951	(5,711)
Exchange realignment	(1,928)	2,104
At end of year	73,775	35,752

(e) At 31 December 2021, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB400,000 (equivalent to HK\$515,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2021 HK\$'000	2020 HK\$'000
Prepayments	(a)	746,846	3,128,890
Deposits and other receivables	(b)	4,969,417	4,012,397
Due from joint ventures	(c)	151,870	354,456
Due from associates	(d)	429,828	459,942
		6,297,961	7,955,685
Less: Impairment	(e)	(662,947)	(87,857)
		5,635,014	7,867,828
Portion classified as current assets		(2,343,586)	(3,018,267)
Non-current portion		3,291,428	4,849,561

Notes to Financial Statements

Year ended 31 December 2021

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (a) The Group's prepayments as at 31 December 2021 mainly included prepayments for the purchase of equipment for photovoltaic and wind power plant projects and clean heat supply facilities.
- (b) The Group's deposits and other receivables as at 31 December 2021 included, inter alia, the following:
- (i) Investment/bidding deposits of HK\$289,455,000 (2020: HK\$185,251,000) in aggregate paid to independent third parties in the PRC for potential acquisition of clean energy projects. The deposits were classified as non-current assets;
 - (ii) Advances of HK\$407,100,000 and HK\$20,395,000 (2020: HK\$1,029,126,000 and HK\$19,758,000) provided to independent third parties and a related party, respectively, that are engaged in the development and operation of clean energy businesses. The advances were generally secured, bore interest at rates ranging from 8% to 10% (2020: 8% to 10%) per annum, and were repayable on demand. Interest income of HK\$1,567,000 (2020: HK\$1,518,000) from the related party was recognised during the year ended 31 December 2021; and
 - (iii) Refundable security deposits under finance lease arrangements of HK\$423,192,000 (2020: HK\$529,817,000). The deposits were classified as non-current assets.
- (c) Except for (i) amounts due from a joint venture of HK\$10,419,000 (2020: HK\$9,556,000) which are unsecured, interest-bearing at 10% (2020: 10%) per annum and are repayable within three years; and (ii) amounts due from joint ventures of HK\$141,451,000 (2020: HK\$198,053,000) which are unsecured, interest-bearing at rates ranging from 4.8% to 10% (2020: 3.85% to 10%) and are repayable within one year, the remaining amounts due from joint ventures are unsecured, interest-free and have no fixed terms of repayment. There was no recent history of default for the amounts due from joint ventures. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.
- (d) Except for amounts due from associates of HK\$34,294,000 (2020: HK\$64,485,000) which are unsecured, interest-bearing at rates ranging from 6.525% to 7.425% (2020: rates ranging from 6.525% to 7.425%) and are repayable within one year, the remaining amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. There was no recent history of default for the amounts due from associates. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.
- (e) The movements in the Group's loss allowance for expected credit losses on other receivables during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
At beginning of year	87,857	92,565
Impairment losses/(reversal of impairment), net (note 6)	561,401	(9,858)
Exchange realignment	13,689	5,150
At end of year	662,947	87,857

Deposits and other receivables mainly represent deposits with suppliers, investment/bidding deposits and loans and advances to potential acquisitions customers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2021, the probability of default applied ranged from 0.46% to 8.08% (2020: 0.12% to 11.13%) and the loss given default was estimated to be 61.70% (2020: 62.08%). 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.

Notes to Financial Statements

Year ended 31 December 2021

26. OTHER TAX RECOVERABLES

Other tax recoverables mainly represent the net value-added tax paid by the Group for the construction of photovoltaic and wind power plants and clean heat supply facilities which will be utilised and offset against the value-added tax payable for the sale of electricity and provision of clean heat supply services after the commencement of operation of the plants and facilities.

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND PLEDGED DEPOSITS

	2021 HK\$'000	2020 HK\$'000
Restricted cash and pledged bank deposits	227,200	393,199
Cash and bank balances	1,140,832	2,518,994
Time deposits	–	2,542
Total cash and bank balances	1,368,032	2,914,735
Less: Restricted cash and pledged bank deposits (note)	(227,200)	(393,199)
Cash and cash equivalents	1,140,832	2,521,536

Note:

The Group's restricted cash and bank balances as at 31 December 2021 included cash restricted due to litigations of RMB106,221,000 (equivalent to HK\$130,205,000) (2020: RMB269,340,000 (equivalent to HK\$319,844,000)). The Group's pledged bank deposits as at 31 December 2021 and 2020 included the bank deposits of RMB79,128,000 (equivalent to HK\$96,995,000) (2020: RMB61,772,000 (equivalent to HK\$73,355,000)) which were pledged to secure certain banking facilities in the form of bills payable amounting to RMB53,319,000 (equivalent to HK\$65,358,000) (2020: RMB16,740,000 (equivalent to HK\$19,879,000)) granted to the Group as at 31 December 2021 (note 28).

At the end of the reporting period, the carrying amounts of the Group's total cash and bank balances are denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
HK\$	54,982	44,586
RMB	1,222,322	2,773,563
Other currencies	90,728	96,586
	1,368,032	2,914,735

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Notes to Financial Statements

Year ended 31 December 2021

28. 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:

	2021 HK\$'000	2020 HK\$'000
Within 3 months	92,689	2,012,517
4 to 6 months	329,994	538,250
7 to 12 months	407,888	586,921
1 to 2 years	639,273	2,265,638
Over 2 years	1,826,213	494,823
	3,296,057	5,898,149

The trade payables are non-interest-bearing. Trade and bills payables are normally settled on terms of 30 days to 180 days.

Included in the trade and bills payables as at 31 December 2021 were trade payables of HK\$1,471,000 (2020: Nil) due to a joint venture which are generally repayable within 30 to 90 days, which represents credit terms similar to those offered by the joint venture to their major customers.

The Group's bills payable amounting to HK\$65,358,000 (2020: HK\$19,879,000) were secured by the pledged bank deposits as at 31 December 2021 (note 27).

Notes to Financial Statements

Year ended 31 December 2021

29. OTHER PAYABLES AND ACCRUALS

	Notes	2021 HK\$'000	2020 HK\$'000
Deposits received		44,942	32,196
Other payables	(a)	1,576,771	3,175,189
Accruals		74,264	51,512
Contract liabilities	(b)	667,844	949,349
		2,363,821	4,208,246

Notes:

(a) Other payables are non-interest-bearing and are normally settled within three months. The Group's other payables as at 31 December 2021 included, inter alia, the following:

- (i) an aggregate amount of HK\$288,704,000 (2020: HK\$541,815,000) of outstanding considerations payable and debt assumed by the Group in respect of the acquisitions of subsidiaries, which are due to certain independent third parties during the year. The debts assumed balances mainly represented construction costs payable by the acquired companies and, according to the debt settlement agreements entered into between the Group and counterparties, the debts originally owed by the acquired subsidiaries were assumed by the Group upon acquisitions. The amounts are repayable according to the time schedules as stipulated in the debt settlement agreements and the last repayments of each assumed liability are usually repayable within 1 year of the acquisition;
- (ii) an aggregate amount of HK\$864,038,000 (2020: HK\$1,509,408,000) due to certain contractors arising from the construction and purchase of equipment of photovoltaic and wind power plants, and clean heat supply facilities; and
- (iii) an aggregate amount of HK\$33,236,000 (2020: HK\$541,014,000) represents other tax payables, which are mainly VAT related tax payables.

(b) Details of contract liabilities are as follows:

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Contract liabilities	667,844	949,349

Contract liabilities include short-term advances received to deliver clean heat supply services, construction and management services.

Notes to Financial Statements

Year ended 31 December 2021

30. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	2021		2020	
	Maturity	HK\$'000	Maturity	HK\$'000
Current				
Lease liabilities	2022	1,009,155	2021	831,716
Bank loans – unsecured	2022	6,628,107	2021	3,435,008
Bank loans – secured	2022	423,292	2021	306,889
Other loans – secured	2022	1,127,103	2021	1,071,885
Other loans – unsecured	2022	863,175	–	–
		10,050,832		5,645,498
Non-current				
Lease liabilities	2023-2052	3,531,063	2022-2050	6,208,490
Bank loans – unsecured	2023-2031	3,945,528	2022-2028	6,986,735
Bank loans – secured	2023-2037	4,465,034	2022-2037	2,799,132
Other loans – secured	2023-2031	8,988,640	2022-2031	7,370,914
		20,930,265		23,365,271
Total bank loans and other borrowings		30,981,097		29,010,769

	2021 HK\$'000	2020 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year	7,051,399	3,741,897
In the second year	1,771,425	5,774,987
In the third to fifth years, inclusive	4,589,126	2,323,313
Beyond five years	2,050,011	1,687,567
	15,461,961	13,527,764
Other borrowings repayable:		
Within one year or on demand (note (d))	2,999,433	1,903,601
In the second year	1,745,933	2,147,813
In the third to fifth years, inclusive	5,952,324	6,768,229
Beyond five years	4,821,446	4,663,362
	15,519,136	15,483,005
Total bank loans and other borrowings	30,981,097	29,010,769

30. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (CONTINUED)

Notes:

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

	2021 HK\$'000	2020 HK\$'000
HK\$	9,036,027	7,757,896
RMB	20,707,831	19,711,851
US\$	1,237,239	1,541,022
	30,981,097	29,010,769

- (b) Certain of the Group's bank loans and other borrowings are secured by:
- (i) guarantees given by the Company and/or its subsidiaries;
 - (ii) pledges over trade receivables and contract assets of certain subsidiaries with an aggregate amount of HK\$6,961,563,000 (2020: HK\$5,752,066,000) as at 31 December 2021 (note 24(b));
 - (iii) pledges over the Group's property, plant and equipment with an aggregate carrying amount of HK\$12,702,970,000 (2020: HK\$9,515,810,000) as at 31 December 2021 (note 13);
 - (iv) pledges over the Group's concession rights of the Group's service concession arrangements with an aggregate carrying amount of HK\$1,118,580,000 (2020: HK\$1,330,950,000) as at 31 December 2021 (note 16); and/or
 - (v) pledges over the Group's equity interests in certain subsidiaries.
- (c) The Group's lease liabilities, secured and unsecured bank loans and secured other loans as at 31 December 2021 bear interest at effective interest rates ranging from 4.65% to 9.04% (2020: from 3.85% to 9.04%), ranging from 1.56% to 5.30% (2020: from 2.02% to 5.96%) and ranging from 2.49% to 9.22% (2020: from 2.59% to 9.33%) respectively.
- (d) As at 31 December 2021, loans with an aggregate principal amount of RMB700,000,000 due to BEWCI, which are unsecured and bear interest at a rate of 8%, have been recognised as current liabilities, which were included in the above analysis as other loans repayable within one year or on demand.

Notes to Financial Statements

Year ended 31 December 2021

31. CORPORATE BONDS

	2021 HK\$'000	2020 HK\$'000
Unsecured corporate bonds, repayable:		
Within one year	1,188,385	592,124
In the second year	–	1,104,199
Total corporate bonds	1,188,385	1,696,323
Portion classified as current liabilities	(1,188,385)	(592,124)
Non-current portion	–	1,104,199

Corporate bonds of the Group as at 31 December 2021 and 31 December 2020 comprised:

- (i) A corporate bond with an aggregate principal amount of RMB500,000,000 was issued by the Company to certain institutional investors on 6 December 2019, bearing interest at a rate of 5.99% per annum. The corporate bond is unsecured and repayable on 6 December 2022. One year prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of the corporate bond and the bond holders shall be entitled to sell back the corporate bond to the Company. Further details of the corporate bond are set out in the Company's announcement dated 6 December 2019. In December 2021, the Company redeemed the principal amount of RMB460,000,000 from the bond holders, the remaining portion of the principal amount of RMB40,000,000 will be repayable on 6 December 2022 and classified as current liabilities as at 31 December 2021. Further details of the corporate bond are set out in the Company's announcement dated 2 December 2021; and
- (ii) A corporate bond with an aggregate principal amount of RMB900,000,000 was issued by the Company to certain institutional investors on 29 April 2020, bearing interest at a rate of 5.50% per annum. The corporate bond is unsecured and repayable on 29 April 2023. One year prior to the maturity pursuant to the terms and conditions in the bond subscription agreement, the Company shall be entitled to adjust the coupon rate of the corporate bond and the bond holders shall be entitled to sell back the corporate bond to the Company. Further details of the corporate bond are set out in the Company's announcement dated 30 April 2020.

32. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Temporary differences related to service concession arrangements HK\$'000	Right-of-use assets and lease liabilities HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 1 January 2021	(207,548)	(75,474)	(99,632)	(40,436)	(423,090)
Acquisition of subsidiaries (note 38)	(8,040)	–	–	–	(8,040)
Deferred tax credited/(charged) to profit or loss during the year	12,161	11,516	(8,405)	26,460	41,732
Exchange realignment	(6,618)	(2,231)	(3,359)	(840)	(13,048)
Gross deferred tax liabilities at 31 December 2021	(210,045)	(66,189)	(111,396)	(14,816)	(402,446)

Deferred tax assets

	Right-of-use assets and lease liabilities HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 1 January 2021	103,919	92,331	196,250
Deferred tax credited to profit or loss during the year	8,083	147,731	155,814
Exchange realignment	3,492	5,566	9,058
Gross deferred tax assets at 31 December 2021	115,494	245,628	361,122

Notes to Financial Statements

Year ended 31 December 2021

32. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 HK\$'000	2020 HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	285,508	108,578
Net deferred tax liabilities recognised in the consolidated statement of financial position	(326,832)	(335,418)
Net deferred tax liabilities	(41,324)	(226,840)

The components of deferred tax assets and liabilities and their movements in 2020 are as follows:

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Temporary differences related to service concession arrangements HK\$'000	Right-of-use assets and lease liabilities HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 1 January 2020	(209,702)	(81,363)	(31,266)	72,656	(249,675)
Acquisition of subsidiaries (note 38)	(2,639)	-	(573)	(1,676)	(4,888)
Disposal of subsidiaries (note 39)	4,398	-	2,562	901	7,861
Deferred tax credited/(charged) to profit or loss during the year	12,922	10,362	33,493	(19,508)	37,269
Exchange realignment	(12,527)	(4,473)	71	(478)	(17,407)
At 31 December 2020	(207,548)	(75,474)	4,287	51,895	(226,840)

Deferred tax has not been fully recognised for withholding taxes that would be payable on certain portions of the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute these unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$5,454,917,000 (2020: HK\$5,574,685,000) as at 31 December 2021.

The Group also has tax losses arising in Mainland China of HK\$1,077,691,000 (2020: HK\$587,174,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. In the opinion of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised in the foreseeable future.

33. SHARE CAPITAL

	2021 HK\$'000	2020 HK\$'000
Authorised:		
Ordinary shares: 466,637,115,100 shares of HK\$0.001 each	466,637	466,637
Convertible preference shares: 33,362,884,900 shares of HK\$0.001 each	33,363	33,363
	500,000	500,000
Issued and fully paid:		
Ordinary shares: 63,525,397,057 shares of HK\$0.001 each	63,525	63,525

34. SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to a resolution passed on 11 June 2013 for the primary purpose of attracting and retaining the best available personnel, providing additional incentives to employees (full-time or part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners, service providers or substantial shareholders (the "Eligible Participants") of the Group and promoting the success of the business of the Group, which will remain in force for a period of ten years commencing on the adoption date and shall expire on 10 June 2023, subject to early termination provisions contained in the Share Option Scheme. The Board may grant options to the Eligible Participants to subscribe for shares in the Company subject to the terms of the Share Option Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Further, the aggregate number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Notes to Financial Statements

Year ended 31 December 2021

34. SHARE OPTION SCHEME (CONTINUED)

Options granted must be taken up within 7 days inclusive of the day on which an offer was made, upon payment of HK\$1.00 by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than 10 years from the date of grant. The exercise price of the share options shall be a price solely determined by the Board and notified to an Eligible Participant and shall be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of the grant of the options, which must be a business day; (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share of the Company on the date of grant.

On 18 September 2017, a total of 1,490,000,000 share options were granted to certain directors of the Group in respect of their services to the Group (the "2017 Options"). The 2017 Options had an exercise price of HK\$0.199 per share and an exercise period from 18 September 2020 to 17 September 2027. The closing price of the Company's share of the 2017 Options at the date of grant was HK\$0.199 per share.

On 15 September 2020 (the "Modification Date"), 630,000,000 share options of the 2017 Options were cancelled, and a total of 1,060,000,000 share options were granted to the eligible participants (the "2020 Options"), part of them are served as replacement share options to the cancelled 2017 Options. After the modification, the 2020 Options had an exercise price of HK\$0.080 per share and an exercise period from 15 September 2023 to 14 September 2030. The closing price of the Company's share of the 2020 Options at the date of grant was HK\$0.039 per share.

The following share options were outstanding under the Share Option Scheme during the year:

	2021		2020	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.080	1,030,000	0.199	1,030,000
Granted during the year	-	-	0.080	1,060,000
Cancelled during the year	-	-	0.199	(630,000)
Lapsed/forfeited during the year	0.080	(20,000)	0.191	(430,000)
At 31 December	0.080	1,010,000	0.080	1,030,000

34. SHARE OPTION SCHEME (CONTINUED)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 December 2021

Number of options	Exercise price HK\$ per share	Exercise periods
202,000,000	0.080	15 September 2023 to 14 September 2030
202,000,000	0.080	15 September 2024 to 14 September 2030
202,000,000	0.080	15 September 2025 to 14 September 2030
202,000,000	0.080	15 September 2026 to 14 September 2030
202,000,000	0.080	15 September 2027 to 14 September 2030
1,010,000,000		

31 December 2020

Number of options	Exercise price HK\$ per share	Exercise periods
206,000,000	0.080	15 September 2023 to 14 September 2030
206,000,000	0.080	15 September 2024 to 14 September 2030
206,000,000	0.080	15 September 2025 to 14 September 2030
206,000,000	0.080	15 September 2026 to 14 September 2030
206,000,000	0.080	15 September 2027 to 14 September 2030
1,030,000,000		

The fair values of the share options granted during the year ended 31 December 2020 (excluding the 430,000,000 share options of the 2020 Options which are treated as the replacement of the cancelled 630,000,000 share options of the 2017 Options) were approximately HK\$6,200,000. Meanwhile, the incremental fair value arising from the aforementioned modification of 430,000,000 share options of the 2020 Options was approximately HK\$1,392,000. The Group recognised a share option expense of HK\$7,604,000 during the year (2020: reversed a share option expense of HK\$5,019,000 mainly because of the option forfeiture).

Notes to Financial Statements

Year ended 31 December 2021

34. SHARE OPTION SCHEME (CONTINUED)

The fair value of equity-settled share options granted during the year ended 31 December 2020 was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2020 Options	2017 Options
	15 September 2020	15 September 2020
Date of grant/the Modification Date		
Dividend yield (%)	0.0000%	0.0000%
Expected volatility (%)	55.27%	55.27%
Risk-free interest rate (%)	0.54%	0.47%
Expected life of options (year)	10	7
Forfeiture rate (%)	13%	13%

The expected life of the options is the time to maturity of the options granted under the Share Option Scheme. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 1,010,000,000 share options (2020: 1,030,000,000) outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,010,000,000 (2020: 1,030,000,000) additional ordinary shares of the Company and additional share capital of HK\$1,010,000 (2020: HK\$1,030,000) (before issue expenses) and additional share premium of approximately HK\$79,790,000 (2020: approximately HK\$81,370,000) (before issue expenses).

Subsequent to the end of the reporting period, no share options was forfeited.

At the date of approval of these financial statements, the Company had 1,010,000,000 share options outstanding under the Share Option Scheme which represents approximately 1.59% of the ordinary shares in issue of the Company as at the date of approval of these financial statements.

35. RESERVES

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 on pages 88 and 89 to the financial statements.

Share option reserve

It comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits should the related share options lapse or be forfeited.

Special reserves

The Group's special reserves mainly represent the difference between the carrying amount of the share of net assets acquired and the consideration in respect of the acquisition and disposal of the non-controlling interests in subsidiaries during the year ended 31 December 2021 and in prior years.

Statutory surplus reserve

Pursuant to the relevant laws and regulations applicable to Mainland China, the Group's subsidiaries established in Mainland China are required to transfer part of their profit after tax to the reserve funds, which are non-distributable and restricted as to use.

36. PERPETUAL CAPITAL INSTRUMENT

	2021 HK\$'000	2020 HK\$'000
At beginning of the year	1,143,587	1,139,106
Share of profit for the year	70,267	77,192
Distribution for the year	(79,345)	(72,711)
Redemption of a perpetual capital instrument	(1,134,509)	–
At end of the year	–	1,143,587

During the year ended 31 December 2018, the Company issued a perpetual capital instrument (the "Perpetual Capital Instrument") with an aggregate principal amount of RMB1,000,000,000. Net proceeds after deducting issue expenses amounted to RMB997,000,000.

The Perpetual Capital Instrument confers the holders a right to receive distributions at the applicable distribution rate of 6.5% per annum, payable annually on 27 November. The distribution rate is subject to review in accordance with the terms thereof at each of the third anniversary from the date of issuance of the Perpetual Capital Instrument. The Company may, at its sole discretion, elect to defer a distribution. In the event when the Company elects to defer a distribution, the Company shall not declare or pay any dividends or reduce its share capital until the distribution deferred is fully settled. The Perpetual Capital Instrument may be redeemed at the option of the Company in whole but not in part, subject to certain conditions under the terms of the Perpetual Capital Instrument. The Perpetual Capital Instrument has no maturity and is classified as an equity instrument. During the year ended 31 December 2021, distributions of RMB64,730,000 (2020: RMB65,000,000) was declared and paid to the holders of the Perpetual Capital Instrument.

The Perpetual Capital Instrument was fully redeemed during the Year. Further details are set out in the Company's announcement dated 25 November 2021.

Notes to Financial Statements

Year ended 31 December 2021

37. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

During the year ended 31 December 2021, the Group has no subsidiaries that has material non-controlling interests (2020: Nil (Restated)).

38. BUSINESS COMBINATIONS

The fair values of the identifiable assets and liabilities of the subsidiaries acquired as at the date of acquisition were as follows:

	Notes	2021 HK\$'000	2020 HK\$'000
Property, plant and equipment	13	639,264	2,169,792
Operating rights	17	56,428	63,243
Inventories		76	–
Contract assets		–	276,524
Trade and bills receivables		94,207	217,149
Prepayments, deposits and other receivables		565,467	360,471
Other tax recoverables		28,458	298,724
Cash and cash equivalents		9,598	39,611
Trade and bills payables		(27,155)	(551,681)
Other payables and accruals		(548,033)	(1,352,855)
Interest-bearing bank loans and other borrowings	40	(442,652)	(739,816)
Deferred tax liabilities	32	(8,040)	(4,888)
Total identifiable net assets at fair value		367,618	776,274
Non-controlling interests		(1,687)	(8,017)
		365,931	768,257
Goodwill	15	41,038	–
Gains on bargain purchase of subsidiaries	5,6	(13,922)	–
		393,047	768,257
Satisfied by:			
Cash consideration		138,592	758,457
Investment in a joint venture		254,455	–
Other receivables		–	9,800
		393,047	768,257

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK\$94,207,000 (2020: HK\$217,149,000) and HK\$500,378,000 (2020: HK\$208,372,000), respectively. The gross contractual amounts of trade receivables and other receivables were HK\$94,207,000 (2020: HK\$217,149,000) and HK\$500,378,000 (2020: HK\$208,372,000), respectively.

No transaction cost was incurred by the Group for these acquisitions.

38. BUSINESS COMBINATIONS (CONTINUED)

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

	2021 HK\$'000	2020 HK\$'000
Cash consideration	(138,592)	(758,457)
Cash and cash equivalents acquired	9,598	39,611
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(128,994)	(718,846)

Since the acquisition, these acquired entities contributed HK\$83,189,000 (2020: HK\$72,819,000) to the Group's revenue and HK\$12,732,000 (2020: HK\$32,095,000) to the consolidated profit for the year ended 31 December 2021.

Had the above business combinations taken place at the beginning of the year, the Group's loss for the year would have been HK\$279,345,000 (2020: profit of HK\$939,993,000) and the Group's revenue would have been HK\$6,048,788,000 (2020: HK\$5,737,019,000).

Notes:

- (a) During the year ended 31 December 2021, the Group acquired a number of companies engaging in the Photovoltaic Power Business and the Wind Power Business (2020: the Photovoltaic Power Business and the Wind Power Business) from certain independent vendors and recorded goodwill of HK\$41,038,000 (2020: Nil) and gains on bargain purchase of HK\$13,922,000 (2020: Nil). Details of the material acquisitions for the year ended 31 December 2021 are as follows:
- (i) In August 2021, the Group completed the acquisition of the 100% equity interest in Wuxiang Shengwu from an independent third party for a cash consideration of RMB1, which is principally engaged in the operation of a wind power generation plant; and
 - (ii) In September 2021, the Group completed the acquisition of the 80.49% equity interest in 潤峰電力(鄭西)有限公司 (Runfeng Power (Yunxi) Co., Ltd.*), a joint venture of the Group prior to the completion of the acquisition, from another two joint venture partners for a cash consideration of RMB33,681,700, which is principally engaged in the operation of a photovoltaic power plant.

Notes to Financial Statements

Year ended 31 December 2021

39. DISPOSAL OF SUBSIDIARIES

	Notes	2021 HK\$'000	2020 HK\$'000
Property, plant and equipment	13	–	1,027,622
Goodwill	15	–	34,769
Operating rights	17	–	17,590
Trade and bills receivables		–	246,923
Prepayments, deposits and other receivables		–	939,505
Other tax recoverables		–	131,751
Cash and cash equivalents		–	45,481
Trade payables		(9)	(3,711)
Other payables and accruals		(572)	(952,431)
Tax payable		–	(18,665)
Deferred tax liabilities	32	–	(7,861)
Interest-bearing bank loans and other borrowings	40	–	(731,628)
Non-controlling interests		–	(26,595)
		(581)	702,750
Exchange fluctuation reserve realised		–	3,626
Gains on disposal of subsidiaries	5,6	782	3,827
		201	710,203
Satisfied by:			
Cash consideration		201	707,619
Other receivables		–	2,584
		201	710,203

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

	2021 HK\$'000	2020 HK\$'000
Cash consideration	201	707,619
Cash and cash equivalents disposed of	–	(45,481)
Consideration receivables as at the year end	–	(63,294)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	201	598,844

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$147,277,000 and HK\$147,277,000, respectively, in respect of lease arrangements for properties and land leases (2020: HK\$41,313,000 and HK\$41,313,000).

(b) Changes in liabilities arising from financing activities

	Corporate bonds HK\$'000	Interest- bearing bank loans and other borrowings HK\$'000
At 1 January 2020	557,047	27,801,123
Changes from financing cash flows	1,007,757	(1,388,054)
Interest expense	69,238	1,303,172
Changes of deposits under leases	–	(94,912)
Increase arising from acquisition of subsidiaries (note 38)	–	739,816
Decrease arising from disposal of subsidiaries (note 39)	–	(731,628)
Foreign exchange movement	62,281	1,381,252
At 31 December 2020 and 1 January 2021	1,696,323	29,010,769
Changes from financing cash flows	(653,713)	(239,322)
Interest expense	99,563	1,237,306
Changes of deposits under leases	–	106,625
Increase arising from acquisition of subsidiaries (note 38)	–	442,652
Foreign exchange movement	46,212	423,067
At 31 December 2021	1,188,385	30,981,097

(c) Total cash outflow for leases

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

	2021 HK\$'000	2020 HK\$'000
Within operating activities	19,075	21,917
Within financing activities	1,370,221	1,073,424
	1,389,296	1,095,341

41. CONTINGENT LIABILITIES

At 31 December 2021, the Group did not have any significant contingent liabilities (2020: Nil).

Notes to Financial Statements

Year ended 31 December 2021

42. COMMITMENTS

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

	2021 HK\$'000	2020 HK\$'000
Contracted, but not provided for:		
Construction, material and equipment costs for development of clean energy projects	998,669	787,980
Capital contributions to joint ventures	347,512	519,594
	1,346,181	1,307,574

43. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year ended 31 December 2021:

Name of related group/company	Nature of transactions	Notes	2021 HK\$'000	2020 HK\$'000
BEWG ^{#1} and its subsidiaries	Sales of electricity	(i)	17,129	14,968
BEWG	Licence fee	(ii)	1,498	1,529
BEWCI	Rental expenses	(ii)	10,847	11,815
BEWCI	Interest expenses	(iii)	5,033	–
Joint ventures	Interest income	(iv)	6,053	7,385
Associates	Interest income		–	767
Great First ^{#2}	Acquisition of equity interest	(v)	40,023	–

#1 Beijing Enterprises Water Group Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited

#2 Great First (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability

Notes:

- (i) The sales to a related group were made according to the published prices and conditions offered to customers of the Group. The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- (ii) The licence fee and the rental expenses were charged on a mutually agreed basis. The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- (iii) The interest expenses were generated from the interest-bearing loan with an interest rate at 8% p.a. (2020: Nil).
- (iv) The interest income was generated from the interest-bearing loan with joint ventures, with interest rates ranging from 4.8% to 10.00% (2020: rates ranging from 3.85% to 10.00%).
- (v) On 14 May 2021, the Purchaser (an indirect non-wholly owned subsidiary of the Group) and Great First entered into the agreement relating to the Great First Target Equity Transfer, pursuant to which the Purchaser agreed to acquire, and Great First agreed to dispose of, an approximately 8.33% equity interest in the Target Company.

(b) In the opinion of the Directors, the Directors represent the key management personnel of the Group. Details of Directors' remuneration are included in note 8 to the financial statements.

Notes to Financial Statements

Year ended 31 December 2021

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at amortised cost HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss	–	581,123	581,123
Trade and bills receivables	10,006,793	–	10,006,793
Financial assets included in prepayments, deposits and other receivables	4,888,168	–	4,888,168
Restricted cash and pledged deposits	227,200	–	227,200
Cash and cash equivalents	1,140,832	–	1,140,832
Other non-current assets	1,332,003	–	1,332,003
	17,594,996	581,123	18,176,119

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade and bills payables	3,296,057
Financial liabilities included in other payables and accruals	1,519,255
Interest-bearing bank loans and other borrowings	30,981,097
Corporate bonds	1,188,385
Other current and non-current liabilities	4,359,679
	41,344,473

Notes to Financial Statements

Year ended 31 December 2021

44. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2020

Financial assets

	Financial assets at amortised cost HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss	–	813,145	813,145
Trade and bills receivables	7,057,897	–	7,057,897
Financial assets included in prepayments, deposits and other receivables	4,738,938	–	4,738,938
Restricted cash and pledged deposits	393,199	–	393,199
Cash and cash equivalents	2,521,536	–	2,521,536
Other non-current assets	812,690	–	812,690
	15,524,260	813,145	16,337,405

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade and bills payables	5,898,149
Financial liabilities included in other payables and accruals	3,143,408
Interest-bearing bank loans and other borrowings	29,010,769
Corporate bonds	1,696,323
Other non-current liabilities	2,347,752
	42,096,401

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, largely due to the short term maturities of the instruments or because they bear floating interest rates if they have long term maturities, are as follows:

	Carrying amounts		Fair values	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Financial assets				
Financial assets at fair value through profit or loss	581,123	813,145	581,123	813,145
Loan to a joint venture	10,419	9,556	8,466	7,765
Financial assets included in prepayments, other receivables and other assets – non-current	2,928,635	2,755,134	2,449,256	2,304,155
Total	3,520,177	3,577,835	3,038,845	3,125,065

	Carrying amounts		Fair values	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Financial liabilities				
Other non-current liabilities	7,061	6,227	7,061	6,227
Interest-bearing bank borrowings with fixed interest rates – non-current	474,810	441,753	480,909	447,427
Total	481,871	447,980	487,970	453,654

Notes to Financial Statements

Year ended 31 December 2021

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of cash and cash equivalents, restricted cash and pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, corporate bonds and interest-bearing bank loans and other borrowings with short term maturities or bearing floating interest rates approximate to their carrying amounts largely due to the short term maturities of these instruments or because they bear floating interest rates if they are have long term maturities.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of the non-current portion of deposits and other receivables, interest-bearing bank loans and other borrowings and corporate bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the directors, 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.

The fair values of unlisted equity investments at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss	–	–	581,123	581,123

As at 31 December 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through profit or loss	–	–	813,145	813,145

Notes to Financial Statements

Year ended 31 December 2021

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED) Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

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

	Total HK\$'000
As at 1 January 2021	813,145
Total gains recognised in the statement of profit or loss included in other income	21,528
Disposal	(275,317)
Exchange realignment	21,767
As at 31 December 2021	581,123

Liabilities measured at fair value:

As at 31 December 2021

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Other non-current liabilities	-	-	7,061	7,061

As at 31 December 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Other non-current liabilities	-	-	6,227	6,227

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 for both financial assets and financial liabilities (2020: Nil).

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed:

As at 31 December 2021

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Loan to a joint venture	-	-	8,466	8,466
Financial assets included in prepayments, other receivables and other assets – non-current	-	-	2,449,256	2,449,256
	-	-	2,457,722	2,457,722

As at 31 December 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Loan to a joint venture	-	-	7,765	7,765
Financial assets included in prepayments, other receivables and other assets – non-current	-	-	2,304,155	2,304,155
	-	-	2,311,920	2,311,920

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, other payables, interest-bearing bank loans and other borrowings and corporate bonds. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Notes to Financial Statements

Year ended 31 December 2021

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings):

	Increase/ (decrease) in basis points	(Increase)/ decrease in loss before tax HK\$'000
2021		
HK\$	100	(46,982)
RMB	100	(99,433)
HK\$	(100)	46,982
RMB	(100)	99,433
<hr/>		
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK\$'000
<hr/>		
2020		
HK\$	100	(92,989)
RMB	100	(54,573)
HK\$	(100)	92,989
RMB	(100)	54,573

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 business operations in Mainland China, the consolidated statement of financial position can be affected significantly by movements in the RMB/HK\$ exchange rate.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or depreciation of RMB against HK\$ may have an impact on the operating results of the Group.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

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

	Increase/ (decrease) in foreign exchange rate %	(Increase)/ decrease in loss before tax HK\$'000
2021		
If HK\$ weakens against RMB	1.00	(8,535)
If HK\$ strengthens against RMB	(1.00)	8,535
	Increase/ (decrease) in foreign exchange rate %	Increase/ (decrease) in profit before tax HK\$'000
2020		
If HK\$ weakens against RMB	1.00	(2,157)
If HK\$ strengthens against RMB	(1.00)	2,157

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, contract assets, trade and bills receivables, and deposit and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of contract assets, trade and bills receivables, and deposits and other receivables as disclosed in notes 23, 24 and 25 to the financial statements, respectively. In addition, the Group reviews the recoverable amount of each individual trade and non-trade debtor at the end of the reporting period to ensure that adequate provision for impairment losses has been made for irrecoverable amounts.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

Notes to Financial Statements

Year ended 31 December 2021

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	–	–	–	9,907,914	9,907,914
Bills receivable	172,654	–	–	–	172,654
Contract assets*	–	–	–	1,411,555	1,411,555
Financial assets included in prepayments, deposits and other receivables	4,053,123	693,084	804,908	–	5,551,115
Restricted cash and pledged deposits	227,200	–	–	–	227,200
Cash and cash equivalents	1,140,832	–	–	–	1,140,832
Guarantees given to third parties and related parties	7,061	–	–	–	7,061
Other non-current assets	1,332,003	–	–	–	1,332,003
	6,932,873	693,084	804,908	11,319,469	19,750,334

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Trade receivables*	–	–	–	6,631,543	6,631,543
Bills receivable	462,106	–	–	–	462,106
Contract assets*	–	–	–	3,514,487	3,514,487
Financial assets included in prepayments, deposits and other receivables	4,360,357	334,794	43,787	–	4,738,938
Restricted cash and pledged deposits	393,199	–	–	–	393,199
Cash and cash equivalents	2,521,536	–	–	–	2,521,536
Guarantees given to third parties and related parties	6,227	–	–	–	6,227
Other non-current assets	812,690	–	–	–	812,690
	8,556,115	334,794	43,787	10,146,030	19,080,726

* For contract assets and trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 24 to the financial statements, respectively.

At the end of the reporting period, the Group had certain concentrations of credit risk as 2.3% and 7.8% of the Group's trade and bills receivables were due from the Group's largest customer and five largest customers, respectively.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through cash receipts from receivables, the issue of new shares and a perpetual capital instrument, and the raising of interest-bearing bank loans and other borrowings, corporate bonds and financial liabilities of options granted to non-controlling interests to cover expected cash demands, as well as the strict control over its daily operating expenses. Accordingly, the Group expects to have adequate sources of funding to finance the Group's operations and manage its liquidity position.

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

	On demand HK\$'000	Within 1 year HK\$'000	1-2 years HK\$'000	2-3 years HK\$'000	3-4 years HK\$'000	4-5 years HK\$'000	Beyond 5 years HK\$'000	Total HK\$'000
2021								
Trade and bills payables	-	3,296,057	-	-	-	-	-	3,296,057
Other payables	-	1,519,255	-	-	-	-	-	1,519,255
Interest-bearing bank loans and other borrowings	245,158	8,796,425	6,441,553	8,272,235	4,913,932	4,171,446	10,284,615	43,125,364
Corporate bonds	-	1,205,573	-	-	-	-	-	1,205,573
Financial liabilities of options granted to non-controlling interests	-	1,537,847	-	1,924,589	-	-	-	3,462,436
	245,158	16,355,157	6,441,553	10,196,824	4,913,932	4,171,446	10,284,615	52,608,685
2020								
Trade and bills payables	-	5,898,149	-	-	-	-	-	5,898,149
Other payables	-	3,143,408	-	-	-	-	-	3,143,408
Interest-bearing bank loans and other borrowings	-	7,725,979	10,082,832	5,660,711	3,770,322	3,643,376	8,793,170	39,676,390
Corporate bonds	-	688,101	1,127,538	-	-	-	-	1,815,639
Financial liabilities of options granted to non-controlling interests	-	-	926,256	771,880	-	-	-	1,698,136
	-	17,455,637	12,136,626	6,432,591	3,770,322	3,643,376	8,793,170	52,231,722

The exposure of the Group's financial guarantee contracts are disclosed in note 22 to the financial statements, which would be repayable on demand when the guarantee is called.

Notes to Financial Statements

Year ended 31 December 2021

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may issue new shares to increase capital or sell assets to reduce debt.

The Group monitors capital using the net gearing ratio, which is calculated by dividing net debt by the sum of net debt and total equity. Net debt is calculated as total interest-bearing bank loans and other borrowings and corporate bonds (as shown in notes 30 and 31), less cash and cash equivalents and other lease liabilities. The net gearing ratios at 31 December 2021 and 2020 were as follows:

	2021 HK\$'000	2020 HK\$'000
Interest-bearing bank loans and other borrowings	30,981,097	29,010,769
Corporate bonds	1,188,385	1,696,323
Less: Cash and cash equivalents	(1,140,832)	(2,521,536)
Other lease liabilities	(952,621)	(1,045,784)
Net debt	30,076,029	27,139,772
Total equity	12,082,054	13,124,890
Net debt and total equity	42,158,083	40,264,662
Gearing ratio	71%	67%

47. EVENTS AFTER THE REPORTING PERIOD

Set out below are details of the significant events after the Group's reporting period:

- (a) On 25 February 2022, 天津富清投資有限公司 (Tianjin Fuqing Investment Co., Ltd.) ("Tianjin Fuqing"), 天津北清電力智慧能源有限公司 (Tianjin Beiqing Electric Smart Energy Co., Ltd.) (formerly known as 北清清潔能源投資有限公司 (Beiqing Clean Energy Investment Company Limited)) ("Beiqing Smart"), all the shareholders of Beiqing Smart (other than Tianjin Fuqing) (the "Other Beiqing Smart Shareholders"), Mr. Wang Jianyu (王建裕先生) and Mr. Wang Jiankai (王建凱先生) (the "Existing SEC Electric Shareholders") and 中電電機股份有限公司 (SEC Electric Machinery Co., Ltd.) ("SEC Electric") entered into a termination agreement (the "Termination Agreement") in relation to the material assets reorganisation involving Tianjin Fuqing, the Other Beiqing Smart Shareholders, the Existing SEC Electric Shareholders and SEC Electric, pursuant to which SEC Electric will acquire from the shareholders of Beiqing Smart the entire equity interests in Beiqing Smart and issue the consideration shares to satisfy the consideration for the acquisition (the "Proposed Reorganisation"). Under the Termination Agreement, the parties have mutually agreed to terminate the Proposed Reorganisation. Upon the entering into of the Termination Agreement and save as agreed among the parties on the responsibilities for the payment of the expenses for professional services in relation to the Proposed Reorganisation incurred, the parties will be released from any rights and obligations under the agreements and documents entered into in relation to the Proposed Reorganisation.

47. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(a) (Continued)

The Company will further evaluate its financial positions and the future development plan of the Group. For further information in relation to the Proposed Reorganisation, please refer to the announcements of the Company dated 15 October 2021, 25 January 2022, 26 January 2022, 17 February 2022 and 25 February 2022.

- (b) On 4 March 2022, the Company entered into the subscription agreement (the "Subscription Agreement") with Profit Plan Global Investment Limited (an indirect wholly-owned subsidiary of China Shandong Hi-Speed Financial Group Limited (中國山東高速金融集團有限公司)) (the "Subscriber"), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for a total of 48,804,039,247 new shares (the "Subscription Shares") to be issued and allotted by the Company at the subscription price of HK\$0.096 per Subscription Share for the total consideration of HK\$4,685,187,768 (the "Subscription").

The Subscription Shares represent: (i) approximately 76.83% of the existing total number of shares of the Company in issue; and (ii) approximately 43.45% of the total number of shares of the Company in issue as enlarged by the allotment and issuance of the Subscription Shares upon the completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement (assuming that there will be no other change in the total number of shares of the Company). Under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"), the Subscriber would be obliged to make a mandatory general offer to the shareholders of the Company for all the issued shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless, among others, the whitewash waiver is granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the "Executive").

An application has been made by the Subscriber to the Executive for the whitewash waiver in respect of the allotment and issuance of the Subscription Shares. The whitewash waiver, if granted by the Executive, will be subject to, among other things, the approval of at least 75% votes by the independent shareholders of the Company present and voting (either in person or by proxy) in respect of the whitewash waiver and more than 50% votes of the independent shareholders of the Company present and voting (either in person or by proxy) in respect of the Subscription (including the specific mandate) at the extraordinary general meeting of the Company which will be held on 29 April 2022 by way of poll. Completion is conditional upon, among other things, the whitewash waiver being granted by the Executive and approved by the independent shareholders of the Company. If the whitewash waiver is not granted by the Executive or not approved by the independent shareholders of the Company, the Subscription will not proceed. Further details of the Subscription and the whitewash waiver are set out in the Company's announcement dated 14 March 2022 and circular dated 1 April 2022.

As of the date of this report, the whitewash waiver has yet to be granted by the Executive. The Company will publish further announcement(s) and/or circular in respect of the Subscription and the whitewash waiver in accordance with the Listing Rules and the Takeovers Code in due course.

48. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the changes in accounting policies during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2020 has been presented.

Notes to Financial Statements

Year ended 31 December 2021

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	431	601
Interests in subsidiaries	6,289,760	7,452,654
Total non-current assets	6,290,191	7,453,255
CURRENT ASSETS		
Prepayments, deposits and other receivables	9,806,607	9,788,132
Cash and cash equivalents	154,108	143,930
Total current assets	9,960,715	9,932,062
CURRENT LIABILITIES		
Interest-bearing bank loans and other borrowings	6,058,906	2,650,986
Corporate bonds	1,188,385	592,124
Other payables and accruals	54,905	33,355
Total current liabilities	7,302,196	3,276,465
NET CURRENT ASSETS	2,658,519	6,655,597
TOTAL ASSETS LESS CURRENT LIABILITIES	8,948,710	14,108,852
NON-CURRENT LIABILITIES		
Interest-bearing bank loans and other borrowings	4,214,360	6,647,932
Corporate bonds	–	1,104,199
Total non-current liabilities	4,214,360	7,752,131
Net assets	4,734,350	6,356,721
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	63,525	63,525
Perpetual capital instrument	–	1,143,587
Reserves (Note)	4,670,825	5,149,609
Total equity	4,734,350	6,356,721

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

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

	Share premium account HK\$'000	Share option reserve HK\$'000	Special reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020	5,925,295	37,349	2,799	(665,140)	5,300,303
Loss and total comprehensive loss for the year	–	–	–	(145,675)	(145,675)
Equity-settled share option arrangements (note 34)	–	(5,019)	–	–	(5,019)
At 31 December 2020 and 1 January 2021	5,925,295	32,330	2,799	(810,815)	5,149,609
Loss and total comprehensive loss for the year	–	–	–	(401,197)	(401,197)
Redemption of a perpetual capital instrument	–	–	(85,191)	–	(85,191)
Equity-settled share option arrangements (note 34)	–	7,604	–	–	7,604
At 31 December 2021	5,925,295	39,934	(82,392)	(1,212,012)	4,670,825

The share option reserve comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised or transferred to retained profits should the related share options lapse or be forfeited.

50. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board on 29 March 2022.

* For identification purposes only

Five-Year Financial Summary

Year ended 31 December 2021

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

RESULTS

	2021 HK\$'000	Years ended 31 December			
		2020 HK\$'000 (Restated)	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
REVENUE	6,023,419	5,551,791	6,335,620	6,980,270	10,039,549
(LOSS)/PROFIT BEFORE TAX	(264,874)	1,018,410	1,031,631	1,537,580	1,862,233
Income tax expense	(23,960)	(131,970)	(189,545)	(159,624)	(285,907)
(LOSS)/PROFIT FOR THE YEAR	(288,834)	886,440	842,086	1,377,956	1,576,326
(Loss)/profit attributable to equity holders of the Company	(321,312)	763,694	682,864	1,268,645	1,560,348

ASSETS AND LIABILITIES

	2021 HK\$'000	As at 31 December			
		2020 HK\$'000 (Restated)	2019 HK\$'000 (Restated)	2018 HK\$'000	2017 HK\$'000
Total assets	54,874,237	57,127,247	52,192,282	43,408,150	35,995,682
Total liabilities	(42,792,183)	(44,002,357)	(41,186,513)	(32,532,743)	(26,991,653)
	12,082,054	13,124,890	11,005,769	10,875,407	9,004,029

The summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years has been extracted from the published audited financial statements of the Company.



北控清潔能源集團有限公司
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