



北控水務集團有限公司

BEIJING ENTERPRISES WATER GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 371)

BEIJING ENTERPRISES WATER GROUP LIMITED

INTERIM
REPORT
2022



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xiong Bin (*Chairman*)
Mr. Jiang Xinhao
Mr. Zhou Min (*Chief Executive Officer*)
Mr. Li Haifeng
Mr. Ke Jian
Ms. Sha Ning
Mr. Tung Woon Cheung Eric
Mr. Li Li

Non-executive Director

Mr. Wang Dianchang

Independent Non-executive Directors

Mr. Shea Chun Lok Quadrant
Mr. Zhang Gaobo
Mr. Guo Rui
Mr. Wang Kaijun
Mr. Chau On Ta Yuen

AUDIT COMMITTEE

Mr. Shea Chun Lok Quadrant (*Chairman*)
Mr. Zhang Gaobo
Mr. Guo Rui

NOMINATION COMMITTEE

Mr. Xiong Bin (*Chairman*)
Mr. Zhang Gaobo
Mr. Guo Rui

REMUNERATION COMMITTEE

Mr. Zhang Gaobo (*Chairman*)
Mr. Guo Rui

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

STOCK CODE

371

WEBSITE

www.bewg.net

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Hong Kong
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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

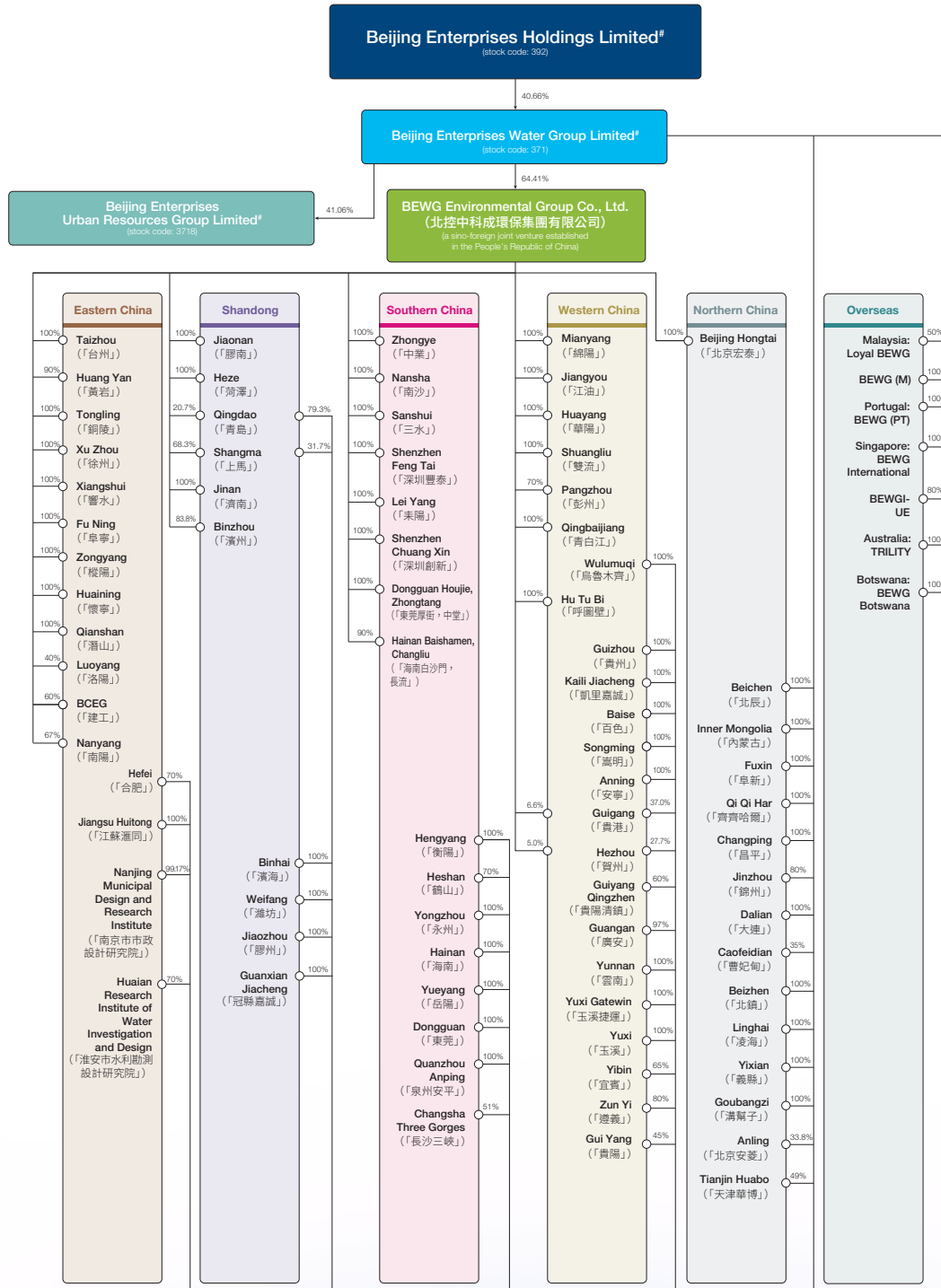
PRINCIPAL BANKERS

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

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

GROUP STRUCTURE

30 June 2022



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

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

CHAIRMAN'S STATEMENT

Dear shareholders,

In a time of unprecedented global changes and once-in-a-century pandemic, international relations experienced continuous, complicated and drastic changes, and global economic development faced tremendous challenges during the first half of 2022. Beijing Enterprises Water Group Limited (the “Company” and, together with its subsidiaries, collectively referred to as the “Group” or “BEWG”) gathered momentum with overall stability, upheld its customer-oriented and innovation-driven operation philosophy, stood steadfastly by its development strategy that places equal values on light and heavy assets, continued to optimise its revenue and profit structure, strictly adhered to its customer-oriented and innovation-driven business concept, concentrated on improving its business operation and service quality, and proactively grasped new development opportunities in the industry, thereby laying the foundation for high-quality and sustainable growth.

PERFORMANCE REVIEW

For the six months ended 30 June 2022, the Group recorded a net increase in daily design capacity of 496,516 tons, bringing the total daily design capacity to 45,382,478 tons. Revenue for the period was HK\$10,645.9 million, which decreased by 22% as compared with the corresponding period last year. Total profit attributable to shareholders of the Company amounted to HK\$694.0 million, which decreased by 71% as compared with the corresponding period last year. Basic earnings per share for the period was HK6.64 cents. In recognition of the continuous support of the shareholders for the Company, the board of directors of the Company (the “Board”) resolved to distribute an interim cash dividend of HK7.0 cents per share to the shareholders.

In the first half of 2022, despite the fluctuating pandemic across the country and the stormy and complicated international situation, the Group carried on proactive measures, internal and external coordination, concerted efforts and strict compliance with local pandemic control policies in order to safeguard the safety and health of its staff as well as stable production and operation.

The Guiding Opinion on Accelerating the Promotion of Construction of Urban Environmental Infrastructures (《關於加快推進城鎮環境基礎設施建設的指導意見》) published by the National Development and Reform Commission, the Ministry of Ecology and Environment, the Ministry of Housing and Urban-Rural Development and the National Health Commission set precise targets for the development of wastewater treatment and reutilisation. Guided by this national strategy and market demand, the Group has grasped new market development opportunities. During the period, the Group obtained a wastewater treatment project at the city centre of Baise City. To satisfy the needs of Baise City brought by urban population growth and wastewater treatment planning requirements, this project will include newly constructed wastewater pumping stations, a rainwater drainage system and a wastewater drainage system to be operated by way of “plant and network integration”. The Group also entered into a new contract for a sludge treatment project in Junan County, thereby not only expanding co-operation with the county in the fields of wastewater and sludge treatment, but also promoted the gradual rollout of the new business segment. As of 30 June 2022, the Group secured new contracts of water services involving a daily water volume of 1,467,480 tons.

CHAIRMAN'S STATEMENT

PERFORMANCE REVIEW *(Continued)*

Pursuant to the Notice by the State Council Regarding the Issue of the Comprehensive Work Plan for Energy Conservation and Emission Reduction for the “14th Five-Year Plan” Period (《國務院關於印發「十四五」節能減排綜合工作方案的通知》), the State Council announced detailed plans for emission reduction projects in key regions such as areas along the Yangtze River and the Yellow River. Paying heed to this national strategy, the Group is actively implementing a scheme to protect the Yangtze River with a focus on key cities and river basins. Comprehensive renovation projects of the Group are going into stable operation.

Beijing Enterprises Urban Resources Group Limited, one of the Group's companies, is actively exploring new businesses and further enhancing its comprehensive servicing ability while focusing on the provision of environmental hygiene and hazardous waste treatment services.

CORPORATE MANAGEMENT AND CONTROL

The national “14th Five-Year Plan” sets clear goals to further improve environmental quality, speed up the adoption of environmental friendly development, and strike a balance between high-quality economic growth and high-standard ecological and environmental protection. Guided by the country's strategic planning and driven by customers' needs, the Group has persistently enhanced its corporate governance measures, core competitiveness and service and brand quality in order to facilitate its high-quality and sustainable growth.

The Group is committed to applying its customer-oriented and innovation-driven operation philosophy to every aspect of its business and developing a customer-oriented and market-oriented organisational structure. It reformed its market development system based on customers' needs, provided high-quality solutions and continuously enhanced customer satisfaction. It has also established a quality delivery team, introduced a digital delivery system, created a centralised procurement system, refined the process management and control system, and provided “high-quality” delivery service for the customers. The operation service system was also upgraded with a standardised and intelligent model in order to constantly improve project operational efficiency, enhance large-scale asset operational ability and establish an excellent operation service brand trusted by the customers and celebrated by the industry.

The Group continued to pursue its digitalisation, ecological and innovation strategies. In particular, it relentlessly extended the coverage of its digitalised capability, actively explored intelligent control systems, replaced and upgraded intelligent operational management products and tools, and built up intelligent operational ability. The Group attaches great importance to the research and development of green technologies with the aim of supporting decarbonisation and emission reduction with technological innovation. During the period, “BEAOA”, a first-of-its-kind technology at home and abroad, and BEWG speedgrain (北控速粒), a technology with superb operational performance, were successfully unveiled and applied to a project with a capacity of over 10,000 tons for the first time. Such real life application of technological advancements to projects will effectively assist the country in its pursuit of carbon peak and neutrality targets.

CHAIRMAN'S STATEMENT

CORPORATE MANAGEMENT AND CONTROL *(Continued)*

In 2022, world economic conditions are complicated and severe while international relations encounter increasing instability and uncertainties as the COVID-19 pandemic continues to take its toll across the globe. The Group always gives enormous importance to cash flow management, and therefore allocates resources to manage and closely monitor specific trade receivables while strengthening control and management over payment collection with the aims of continuously enhancing its capital efficiency and improving its cash flow position. An industrial asset management system has been implemented to facilitate the reform of its management structure, accelerate the establishment of asset management platforms and support the transformation into an asset-light model. The successful issuance of the medium-term notes series 1 for the period with coupon rates reaching all-time low has demonstrated that the Group has won recognition from the global capital market.

SUSTAINABLE DEVELOPMENT

Adhering to its “customer-oriented” business philosophy, the Group has set itself medium-term and long-term strategic goals to “continuously acquire and manage more large-scale assets, create new business growth engines through technological and model innovations, enhance corporate operational efficiency and achieve sustainable corporate development”, for which it will formulate a new market development system, focus on technological research and development, continuously improve the quality of its products, fully implement smart water services and constantly upgrade its operational quality excellence system. To realise sustainable corporate development, high-quality brand services catering for the customers will be provided.

Paying heed to the National Strategy of Innovation-Driven Development, BEWG is fully aware that science and technology are of utmost importance to productivity, and innovation is the best engine of development. It will follow its innovation strategy and steadily carry out digitalisation in order to promote sustainable corporate development. The Group will reform its technological innovation management system, improve its innovation organisational structure, make use of a great number of technological inventions and new smart water services innovations, and enhance its integrated production efficiency and industry competitiveness in a practical manner.

In active response to the country's “3060 carbon peak and neutrality goals”, the Group will implement low-carbon water services operation and explore potential corporate decarbonisation opportunity with feasible initiatives such as enforcing comprehensive low-carbon management on activities spanning from construction to operation and production, increasing investment in low-carbon technique and technological research and development, and apply technological innovations. It will lead the low-carbon green development of the industry by ways of both enhancement and reduction.

To promote the development of the industry, the Group always emphasizes the importance of nurturing talent of high calibre. Through formulating a talent grooming strategy, it will optimise its talent grooming system, perfect its talent grooming programme, provide its staff with a broad development platform, insist on exploiting organisational strengths and individual potential, and continue to identify compound and innovative talent in line with the future development of the industry and the Group.

CHAIRMAN'S STATEMENT

FUTURE PROSPECT

Under the new national economic development strategy of domestic and international dual circulation, the economy and society have fully embraced green development. To gradually satisfy the people's rising desire for a beautiful ecological environment, the "14th Five-Year Plan" has imposed higher quality requirements on environmental management. Guided by General Secretary Xi Jinping's Thought of Ecological Civilisation and with the staunch support of Beijing Enterprises Group Company Limited, the Group will pursue its medium-term and long-term strategic goals, follow its customer-oriented and innovation-driven business philosophy, continue to develop the traditional water services business, and actively explore new businesses such as sludge treatment, wastewater reutilisation and industrial wastewater treatment. It will constantly accelerate its digitalisation transformation, build up smart operation management capability, develop customer-oriented innovative technological products, improve operational quality excellence, enhance its core corporate competitive strengths, establish a strong brand image that customers trust, and strive for its vision of "becoming the world-class provider of reliable and leading water services and environmental services".

Lastly, I would like to extend my sincere gratitude to all shareholders, customers, staff and partners for their continual and tremendous support for the Group.

Xiong Bin
Chairman

30 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the period attributable to shareholders of the Company decreased by 71% to HK\$694.0 million. Revenue decreased by 22% to HK\$10,645.9 million as a result of decrease in revenue contribution from construction services for the water environmental renovation projects.

1. FINANCIAL HIGHLIGHTS

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

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	HK\$'M	%		HK\$'M	%
1. Water treatment services					
Sewage and reclaimed water treatment services					
China					
– Subsidiaries	4,704.0	44%	60%	2,177.2	
– Joint ventures and associates				146.8	
				2,324.0	61%
Overseas					
– Subsidiaries	238.3	2%	23%	32.2	1%
	4,942.3	46%		2,356.2	62%
Water distribution services					
China					
– Subsidiaries	1,299.0	12%	50%	419.2	11%
– Joint ventures				99.6	3%
				518.8	14%
Overseas					
– Subsidiaries	262.9	3%	30%	57.3	1%
– Joint ventures				14.2	–
				71.5	1%
	1,561.9	15%		590.3	15%
Subtotal	6,504.2	61%		2,946.5	77%

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

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

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	HK\$'M	%		HK\$'M	%
2. Construction services for the water environmental renovation					
Construction services for comprehensive renovation projects					
– Projects with completion rate more than 10% ⁵	819.3	8%	17%	208.0	5%
– Interest income	–	–	–	221.9	6%
	819.3	8%	17%	429.9	11%
Construction of BOT water projects	2,232.6	21%	19%	288.5	8%
Subtotal	3,051.9	29%		718.4	19%
3. Technical services and sale of machineries for the water environmental renovation	1,089.8	10%	40%	143.8	4%
Business results	10,645.9	100%		3,808.7	100%
Others[#]				(3,114.7)	
Total				694.0	

[#] Others included head office expense and other cost, net, of HK\$686.2 million, loss on deemed disposal of an associate of HK\$1,091.0 million, share of profit of joint ventures and associates of HK\$141.3 million, finance costs of HK\$1,423.4 million and profit attributable to holders of perpetual capital instruments of HK\$55.4 million. Others represented items that cannot be allocated to the operating segments.

⁵ Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK\$112.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

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

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	HK\$'M	%	%	HK\$'M	%
1. Water treatment services					
Sewage and reclaimed water treatment services					
China					
– Subsidiaries	3,522.1	26%	61%	1,622.7	
– Joint ventures and associates				157.0	
				1,779.7	44%
Overseas					
– Subsidiaries	217.2	1%	24%	32.0	1%
	3,739.3	27%		1,811.7	45%
Water distribution services					
China					
– Subsidiaries	1,186.3	9%	50%	400.5	10%
– Joint ventures				40.5	1%
				441.0	11%
Overseas					
– Subsidiaries	276.6	2%	34%	65.7	2%
– Joint ventures				9.7	–
				75.4	2%
	1,462.9	11%		516.4	13%
Subtotal	5,202.2	38%		2,328.1	58%

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

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

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	HK\$'M	%	%	HK\$'M	%
2. Construction services for the water environmental renovation					
Construction services for comprehensive renovation projects					
– Projects with completion rate more than 10% [§]	1,494.9	11%	18%	277.5	7%
– Interest income	–	–	–	217.2	5%
	1,494.9	11%	18%	494.7	12%
Construction of BOT water projects	5,422.6	40%	19%	734.7	19%
Subtotal	6,917.5	51%		1,229.4	31%
3. Technical services and sale of machineries for the water environmental renovation					
	1,549.5	11%	53%	445.0	11%
Business results	13,669.2	100%		4,002.5	100%
Others[#]				(1,581.7)	
Total				2,420.8	

[#] Others included head office expense and other cost, net, of HK\$251.5 million, share of profit of joint ventures and associates of HK\$152.3 million, finance costs of HK\$1,356.6 million and profit attributable to holders of perpetual capital instruments of HK\$125.9 million. Others represented items that cannot be allocated to the operating segments.

[§] Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK\$28.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

The comparison of the Group's financial results for the six months ended 30 June 2022 and 2021 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	For the six months ended 30 June		Increase/(Decrease)		For the six months ended 30 June		Increase/(Decrease)	
	2022 HK\$'M	2021 HK\$'M	HK\$'M	%	2022 HK\$'M	2021 HK\$'M	HK\$'M	%
1. Water treatment services								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	4,704.0	3,522.1	1,181.9	34%	2,177.2	1,622.7	554.5	34%
– Joint ventures and associates					146.8	157.0	(10.2)	(6%)
					2,324.0	1,779.7	544.3	31%
<i>GP ratio</i>	60%	61%		(1%)				
Overseas								
– Subsidiaries	238.3	217.2	21.1	10%	32.2	32.0	0.2	1%
<i>GP ratio</i>	23%	24%		(1%)				
	4,942.3	3,739.3	1,203.0	32%	2,356.2	1,811.7	544.5	30%
Water distribution services								
China								
– Subsidiaries	1,299.0	1,186.3	112.7	10%	419.2	400.5	18.7	5%
– Joint ventures					99.6	40.5	59.1	146%
					518.8	441.0	77.8	18%
<i>GP ratio</i>	50%	50%		–				
Overseas								
– Subsidiaries	262.9	276.6	(13.7)	(5%)	57.3	65.7	(8.4)	(13%)
– Joint ventures					14.2	9.7	4.5	46%
					71.5	75.4	(3.9)	(5%)
<i>GP ratio</i>	30%	34%		(4%)				
	1,561.9	1,462.9	99.0	7%	590.3	516.4	73.9	14%
Subtotal	6,504.2	5,202.2	1,302.0	25%	2,946.5	2,328.1	618.4	27%

MANAGEMENT DISCUSSION AND ANALYSIS

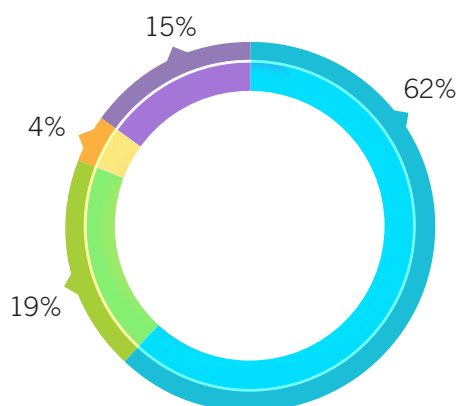
1. FINANCIAL HIGHLIGHTS *(Continued)*

The comparison of the Group's financial results for the six months ended 30 June 2022 and 2021 is set out in details below: *(Continued)*

	Revenue				Profit attributable to shareholders of the Company			
	For the six months ended 30 June		Increase/(Decrease)		For the six months ended 30 June		Increase/(Decrease)	
	2022 HK\$'M	2021 HK\$'M	HK\$'M	%	2022 HK\$'M	2021 HK\$'M	HK\$'M	%
2. Construction services for the water environmental renovation								
Construction services for comprehensive renovation projects								
– Projects with completion rate more than 10%	819.3	1,494.9	(675.6)	(45%)	208.0	277.5	(69.5)	(25%)
– Interest income	–	–	–	–	221.9	217.2	4.7	2%
<i>GP ratio</i>	17%	18%		(1%)	429.9	494.7	(64.8)	(13%)
Construction of BOT water projects								
– China	2,232.6	5,422.6	(3,190.0)	(59%)	288.5	734.7	(446.2)	(61%)
<i>GP ratio</i>	19%	19%		–				
Subtotal	3,051.9	6,917.5	(3,865.6)	(56%)	718.4	1,229.4	(511.0)	(42%)
3. Technical services and sale of machineries for the water environmental renovation								
<i>GP ratio</i>	40%	53%		(13%)	143.8	445.0	(301.2)	(68%)
Business results	10,645.9	13,669.2	(3,023.3)	(22%)	3,808.7	4,002.5	(193.8)	(5%)
Others					(3,114.7)	(1,581.7)	(1,533.0)	97%
Total					694.0	2,420.8	(1,726.8)	(71%)

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*



Profit attributable to shareholders of the Company (Six months ended 30 June 2022)

- Sewage and reclaimed water treatment services
- Construction services for the water environmental renovation
- Technical services and sale of machineries for the water environmental renovation
- Water distribution services

2. BUSINESS REVIEW

The principal businesses of the Group include operations in water treatment business, construction and technical services for the water environmental renovation. The coverage of the Group's water plants has extended to 20 provinces, 5 autonomous regions and 4 municipalities all across Mainland China.

2.1 Water treatment services

As at 30 June 2022, the Group entered into service concession arrangements and entrustment agreements for a total of 1,412 water plants and town-size sewage treatment facilities including 1,165 sewage treatment plants and town-size sewage treatment facilities, 185 water distribution plants, 60 reclaimed water treatment plants and 2 seawater desalination plants. Total daily design capacity for new projects secured for the period was 1,467,480 tons including Build-Operate-Transfer ("BOT") projects of 815,000 tons, Public-Private Partnership ("PPP") projects of 80,000 tons and entrustment operation projects of 572,480 tons.

Due to different reasons such as expiration of projects, the Group exited projects with aggregate daily design capacity of 970,964 tons during the period. As such, the net increase in daily design capacity of the period was 496,516 tons. As at 30 June 2022, total daily design capacity was 45,382,478 tons.

During the period, the Group entered into 3 service concession arrangements for town-size sewage treatment projects with aggregate daily capacity of 12,480 tons.

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

Analysis of projects on hand is as follows:

	Sewage treatment	Reclaimed water treatment	Water distribution	Seawater desalination	Total
<i>(Tons)</i>					
China					
In operation	17,997,460	2,080,200	9,592,508	–	29,670,168
Not yet commenced operation/ Not yet transferred	7,465,742	1,909,000	4,422,500	50,000	13,847,242
Subtotal	25,463,202	3,989,200	14,015,008	50,000	43,517,410
Overseas					
In operation	230,518	267,350	1,067,200	300,000	1,865,068
Not yet commenced operation/ Not yet transferred	–	–	–	–	–
Subtotal	230,518	267,350	1,067,200	300,000	1,865,068
Total	25,693,720	4,256,550	15,082,208	350,000	45,382,478
<i>(Number of water plants and town-size sewage treatment facilities)</i>					
China					
In operation	889	36	122	–	1,047
Not yet commenced operation/ Not yet transferred	228	19	29	1	277
Subtotal	1,117	55	151	1	1,324
Overseas					
In operation	48	5	34	1	88
Not yet commenced operation/ Not yet transferred	–	–	–	–	–
Subtotal	48	5	34	1	88
Total	1,165	60	185	2	1,412

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

	Number of plants and town-size sewage treatment facilities	Design capacity (Tons/Day)	Actual processing volume during the period* (Tons (M))	Revenue (HK\$'M)	Profit attributable to shareholders of the Company (HK\$'M)
Sewage and reclaimed water treatment services:					
Mainland China:					
– Southern China	329	4,241,755	693.6	1,113.5	555.3
– Western China	316	2,587,990	383.4	922.2	437.0
– Shandong	47	2,324,000	305.7	636.8	343.9
– Eastern China	119	5,961,276	785.6	1,080.8	487.4
– Northern China	114	4,962,639	557.3	950.7	500.4
	925	20,077,660	2,725.6	4,704.0	2,324.0
Overseas	53	497,868	56.6	238.3	32.2
Subtotal	978	20,575,528	2,782.2	4,942.3	2,356.2
Water distribution services:					
Mainland China	122	9,592,508	938.2	1,299.0	518.8
Overseas [§]	35	1,367,200	72.5	262.9	71.5
Subtotal	157	10,959,708	1,010.7	1,561.9	590.3
Total	1,135	31,535,236	3,792.9	6,504.2	2,946.5

* Excluded entrustment operation contracts

§ Included a seawater desalination plant

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.1 Sewage and reclaimed water treatment services

2.1.1a Mainland China:

As at 30 June 2022, the Group had 889 sewage treatment plants and town-size sewage treatment facilities and 36 reclaimed water plants in operation in Mainland China. Total daily design capacity in operation of sewage treatment plants and town-size sewage treatment facilities and reclaimed water plants reached to 17,997,460 tons (31 December 2021: 16,831,055 tons) and 2,080,200 tons (31 December 2021: 1,689,200 tons), respectively. The average daily processing volume is 15,342,947 tons* and average daily treatment rate is 80%*. The actual average contracted tariff charge of water treatment was approximately RMB1.41 per ton (31 December 2021: RMB1.39 per ton) for water plants. The actual aggregate processing volume for the period was 2,725.6 million tons, of which 2,461.1 million tons was contributed by subsidiaries and 264.5 million tons was contributed by joint ventures and associates. Total revenue for the period was HK\$4,704.0 million. Net profit attributable to shareholders of the Company was HK\$2,324.0 million, of which HK\$2,177.2 million was contributed by subsidiaries and HK\$146.8 million was contributed by joint ventures and associates. The information of sewage and reclaimed water treatment services in Mainland China is as follows:

Southern China

Plants in Southern China were mainly located in Guangdong Province, Hunan Province, Fujian Province and Shaanxi Province. As at 30 June 2022, there were 329 plants and town-size sewage treatment facilities with total daily design capacity of 4,241,755 tons, representing an increase of 101,165 tons or 2% as compared with last year. The actual aggregate processing volume for the period amounted to 693.6 million tons. The operating revenue and profit attributable to shareholders of the Company were HK\$1,113.5 million and HK\$555.3 million respectively during the period.

Western China

Plants in Western China were mainly located in Yunnan Province, Guangxi Province, Sichuan Province and Guizhou Province. As at 30 June 2022, there were 316 sewage treatment plants and town-size sewage treatment facilities with total daily design capacity of 2,587,990 tons, representing an increase of 115,740 tons per day or 5% as compared with last year. The actual processing volume for the period was 383.4 million tons. The operating revenue of HK\$922.2 million was recorded during the period. Profit attributable to shareholders of the Company amounted to HK\$437.0 million.

* Excluded entrustments operation contracts

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

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

2.1.1a Mainland China: *(Continued)*

Shandong

There were 47 plants and town-size sewage treatment facilities in Shandong region. The total daily design capacity of Shandong region is 2,324,000 tons, representing an increase of 65,000 tons per day or 3% as compared with last year. The actual processing volume for the period was 305.7 million tons contributing operating revenue of HK\$636.8 million during the period. Profit attributable to shareholders of the Company was HK\$343.9 million.

Eastern China

There were 119 water plants and town-size sewage treatment facilities in Eastern China which were mainly located in Zhejiang Province, Jiangsu Province, Henan Province and Anhui Province. As at 30 June 2022, the total daily design capacity of Eastern China had increased by 679,500 tons to 5,961,276 tons or 13% as compared with last year. The actual processing volume for the period amounted to 785.6 million tons and operating revenue was HK\$1,080.8 million during the period. Profit attributable to shareholders of the Company was HK\$487.4 million.

Northern China

Currently, the Group has 114 plants and town-size sewage treatment facilities under operation in Northern China. They are mainly located in Liaoning Province and Beijing. The daily design capacity of Northern China had increased by 596,000 tons to 4,962,639 tons or 14% as compared with last year. The projects achieved actual processing volume of 557.3 million tons for the period. The operating revenue was HK\$950.7 million during the period. Profit attributable to shareholders of the Company was HK\$500.4 million.

2.1.1b Overseas:

As at 30 June 2022, the Group had 48 sewage treatment plants and 5 reclaimed water plants in Portugal, Singapore, Australia and New Zealand. Total daily design capacity in operation was 497,868 tons. The actual processing volume for the period is 56.6 million tons. Total revenue for the period was HK\$238.3 million. Profit attributable to shareholders of the Company was HK\$32.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.2 Water distribution services

2.1.2a Mainland China:

As at 30 June 2022, the Group had 122 water distribution plants in operation. Total daily design capacity in operation was 9,592,508 tons (31 December 2021: 9,372,836 tons). The plants were located in Guizhou Province, Fujian Province, Guangdong Province, Hunan Province, Hebei Province, Shandong Province, Henan Province, Guangxi Province and Inner Mongolia Autonomous Region. The actual average contracted tariff charge of water distribution is approximately RMB2.12 per ton (31 December 2021: RMB2.10 per ton). The aggregate actual processing volume is 938.2 million tons, of which 551.3 million tons was contributed by subsidiaries, which recorded revenue of HK\$1,299.0 million and 386.9 million tons was contributed by joint ventures. Profit attributable to shareholders of the Company was HK\$518.8 million, of which profit of HK\$419.2 million was contributed by subsidiaries and a profit of HK\$99.6 million in aggregate was contributed by joint ventures.

2.1.2b Overseas:

As at 30 June 2022, the Group had 34 water distribution plants and a sea desalination plant which supplies drinking water in Portugal and Australia. Total daily design capacity in operation was 1,367,200 tons. The actual processing volume for the period is 72.5 million tons of which 40.5 million tons was contributed by subsidiaries and 32.0 million tons was contributed by joint ventures. Total revenue for the period was HK\$262.9 million. Profit attributable to shareholders of the Company was HK\$71.5 million.

2.2 Construction services for the water environmental renovation

2.2.1 Construction services for comprehensive renovation projects

The Group had 18 comprehensive renovation projects under construction during the period. The projects mainly located in Inner Mongolia, Henan Luoyang, Hunan Loudi, Guangdong Foshan and Shaanxi Yulin. Last period, the Group had 23 comprehensive renovation projects under construction in Sichuan Luzhou, Chengdu Jianyang, Inner Mongolia, Sichuan Panzhihua and Hebei Hengshui.

Revenue from comprehensive renovation projects decreased by HK\$675.6 million from last period of HK\$1,494.9 million to HK\$819.3 million this period.

According to the construction contracts, the Group charges an interest on the trade receivables from the customers with reference to certain mark-up on The People's Bank of China's lending rate for the period from the completion of the construction to time of the receipt of the trade receivables. Interest income from water environmental renovation projects attributable to shareholders of the Company was HK\$221.9 million for this period (six months ended 30 June 2021: HK\$217.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

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

2.2.1 Construction services for comprehensive renovation projects *(Continued)*

Profit attributable to shareholders of the Company for the comprehensive renovation projects decreased by HK\$64.8 million from last period of HK\$494.7 million to HK\$429.9 million this period.

The decrease in construction revenue and profit attributable to shareholders of the Company during this period was mainly due to (1) during the first half of 2022, the Novel Coronavirus (“COVID-19”) outbreak in China remained volatile, construction works in several construction sites could only maintain limited operation, forced to suspend or delay the commencement; and (2) to align with the Group’s asset-light strategy, the investment approach on the comprehensive renovation projects is more conservative.

2.2.2 Construction of BOT water projects

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

During the period, water plants under construction were mainly located in Guangdong, Shandong, Guangxi, Hunan, Shanxi and Liaoning provinces. Total revenue for construction of BOT water projects was HK\$2,232.6 million (six months ended 30 June 2021: HK\$5,422.6 million) and profit attributable to shareholders of the Company was HK\$288.5 million (six months ended 30 June 2021: HK\$734.7 million). During the first half of 2022, the COVID-19 outbreak in China remained volatile, construction works in several construction sites could only maintain limited operation, forced to suspend or delay the commencement. As such, there was a decrease in revenue and profit attributable to shareholders of the Company during the period.

2.3 Technical services and sales of machineries for the water environmental renovation

The Group has couples of qualification in engineering for consulting and design of water treatment plants. As an integrated water system solution provider, the Group has not only acquired extensive experience in bidding, building and operating sewage water treatment projects, but also successfully marketed its treatment technology and experience in construction services to other operators and constructors.

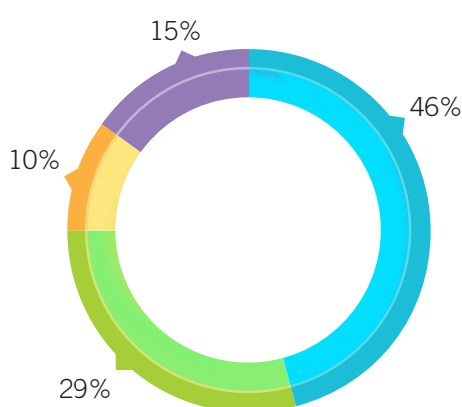
Revenue from the provision of technical services and sales of machineries was HK\$1,089.8 million (six months ended 30 June 2021: HK\$1,549.5 million), representing 10% of the Group’s total revenue. Profit attributable to shareholders of the Company was HK\$143.8 million (six months ended 30 June 2021: HK\$445.0 million). The decrease in revenue and profit attributable to shareholders of the Company was mainly due to the travel restrictions in China during the COVID-19 outbreak in the first half of 2022 which hinder the development of new technical services project.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS

3.1 Revenue

During the period, the Group recorded revenue of HK\$10,645.9 million (six months ended 30 June 2021: HK\$13,669.2 million). The decrease was mainly due to the decrease in revenue from construction services for the water environmental renovation projects.



Revenue
(Six months ended 30 June 2022)

- Sewage and reclaimed water treatment services
- Construction services for the water environmental renovation
- Technical services and sale of machineries for the water environmental renovation
- Water distribution services

3.2 Cost of sales

Cost of sales for the period amounted to HK\$6,038.2 million, compared to last period of HK\$8,626.6 million. The decrease was mainly due to the decrease in cost of construction services rendered of HK\$3,124.5 million. Cost of sales mainly included construction costs of HK\$2,477.5 million and operating costs of water plants of HK\$2,901.6 million. The construction costs mainly consisted of subcontracting charges. The operating costs of water plants, mainly included electricity charges of HK\$539.8 million, staff costs of HK\$792.0 million and major overhaul charges of HK\$141.1 million; while the increase in operating costs was mainly due to increase in actual water processing volume. Major overhaul charges were the estimated expenditure to be incurred for the restoration of water plants before they are handed over to the grantor at the end of service arrangements. The amount was estimated based on discounted future cash outlays on major overhauls during the service concession periods. The amount was charged to profit or loss based on amortisation method during the service concession periods.

3.3 Gross profit margin

During the period, gross profit margin increased from last period of 37% to 43%. Gross margin increased as there is a change in mix of revenue during this period. The proportion of revenue contribution from water treatment services increased as compared with construction services for the water environmental renovation. The gross margin of water treatment services is comparatively higher than the construction services for the water environmental renovation.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.3 Gross profit margin *(Continued)*

Gross margin for sewage and reclaimed water treatment services:

Gross margin for sewage and reclaimed water treatment services in Mainland China was slightly decreased to 60% (last period: 61%). The slight decrease in gross margin was mainly due to increment in cost of raw materials (e.g. chemicals) and electricity charges during this period. Gross margin for sewage and reclaimed water treatment services in Overseas was 23% (last period: 24%).

Gross margin for water distribution services:

Gross margin for water distribution services in Mainland China was 50% (last period: 50%). Gross margin for water distribution services in Overseas was 30% (last period: 34%). Gross margin in Overseas decreased which was mainly due to (1) a flooding in South Australia which affected the water quality and therefore increased the cost of chemical for water treatment; and (2) increase in electricity charges in Portugal during this period.

Gross margin for construction services for comprehensive renovation projects:

Gross margin for construction services for comprehensive renovation projects was 17% (last period: 18%).

Gross margin for construction of BOT water projects:

Gross margin for construction of BOT water projects was 19% (last period: 19%).

Gross margin for technical services and sale of machineries for the water environmental renovation:

Gross margin for the technical services and sale of machineries for the water environmental renovation was 40% (last period: 53%). Gross margin decreased was mainly due to the change in mix of revenue during this period. The proportion of revenue contribution from technical services decreased as compared with the sale of machineries for the water environmental renovation. The gross margin of technical services is comparatively higher than the sale of machineries for the water environmental renovation.

3.4 Other income and gains, net

The Group recorded other income and gains, net of HK\$821.8 million during the period, compared to last period of HK\$627.1 million. The amount for this period mainly included sludge treatment income of HK\$74.3 million, pipeline installation income of HK\$175.8 million, gain on bargain purchase of subsidiaries (mainly from consolidation of Beijing Enterprises Urban Resources Group Limited (“BEURG”)) of HK\$186.5 million and government grant and subsidies of HK\$81.8 million.

3.5 Administrative expenses

Administrative expenses for the period increased to HK\$1,326.1 million, compared to last period of HK\$1,220.4 million. The increase was mainly due to the increase in staff related expenses as result of business expansion and increase in research and development expenses during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.6 Other operating expenses, net

Other operating expenses for the period increased to HK\$1,800.9 million, compared to last period of HK\$306.9 million. The increase was mainly due to (1) loss on deemed disposal of an associate, Shandong Hi-Speed New Energy Group Limited (“SDHS New Energy”) (formerly known as Beijing Enterprises Clean Energy Group Limited), amounted to HK\$1,091.0 million in current period. On 19 May 2022, SDHS New Energy issued and allotted 48,804,039,247 new shares to Profit Plan Global Investment Limited. Accordingly, the Company’s indirect shareholding percentage in SDHS New Energy was diluted from 31.88% to approximately 18.03%. Under the *Hong Kong Accounting Standard 28 – Investments in Associates and Joint Ventures*, the Group recognised a deemed disposal loss as a result of such dilution; and (2) loss on remeasurement of an associate, BEURG, amounted to HK\$173.0 million before consolidation of BEURG as a subsidiary of the Group. The deemed disposal loss of an associate and loss on remeasurement of an associate are one-off and non-cash in nature. It does not have any impact on the cashflow of the Group.

3.7 Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK\$1,010.5 million (six months ended 30 June 2021: HK\$958.5 million) and interests on corporate bonds and notes payable of HK\$466.2 million (six months ended 30 June 2021: HK\$503.0 million).

3.8 Share of profits of joint ventures

Share of profits of joint ventures increased to HK\$357.4 million, compared to last period of HK\$258.3 million. The increase was mainly due to increase in share of profits of the joint ventures which engaged in water treatment services and construction services for comprehensive renovation projects.

3.9 Share of profits of associates

Share of profits of associates decreased to HK\$142.9 million, compared to last period of HK\$164.1 million. The decrease was mainly due to decrease in share of profits of BEURG.

3.10 Income tax expense

Income tax expense for the period included the current PRC income tax of HK\$318.8 million. The effective tax rate for the PRC operation was about 17% which was lower than the PRC standard income tax rate of 25% as some of the subsidiaries enjoyed tax concession benefit. Deferred tax charge for the period was HK\$192.3 million.

3.11 Profit attributable to holders of perpetual capital instruments

Amount represented the coupon payments of perpetual bonds with an aggregate principal amount of RMB2,500 million which were issued in Year 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.12 Property, plant and equipment

Property, plant and equipment increased by HK\$3,323.2 million which was mainly due to consolidation of BEURG in current period.

3.13 Right-of-use assets

Right-of-use assets increased by HK\$469.9 million which was mainly due to consolidation of BEURG in current period.

3.14 Investment properties

Investment property represented a portion of a building located in Beijing which the Group held to earn rental income during the period. The investment property was stated at fair value.

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

The Group's total amounts due from contract customers, receivables under service concession arrangements and trade receivables of HK\$121,120.7 million (31 December 2021: HK\$119,642.0 million) included:

By accounting nature:

	30 June 2022			31 December 2021		
	Non-current HK\$'M	Current HK\$'M	Total HK\$'M	Non-current HK\$'M	Current HK\$'M	Total HK\$'M
(i) Amounts due from contract customers	32,078.6	3,271.9	35,350.5	36,255.5	3,798.7	40,054.2
(ii) Receivables under service concession arrangements	55,261.0	6,629.7	61,890.7	53,218.1	5,522.7	58,740.8
(iii) Trade receivables	13,146.9	10,732.6	23,879.5	11,956.1	8,890.9	20,847.0
Total	100,486.5	20,634.2	121,120.7	101,429.7	18,212.3	119,642.0

- (i) Amounts due from contract customers of HK\$35,350.5 million represent the balances of accumulated construction costs incurred to date plus recognised accumulated gross profits exceeding progress billings arising from BOT projects and comprehensive renovation projects during the phase of construction. Total balance decreased by HK\$4,703.7 million (non-current portion decreased by HK\$4,176.9 million and current portion decreased by HK\$526.8 million), which was mainly due to reclassification to receivables under service concession arrangements and trade receivables as a result of operation commencement of certain BOT projects and completion of BT projects respectively;

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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

By accounting nature: *(Continued)*

- (ii) Receivables under service concession arrangements of HK\$61,890.7 million represent the fair value of the specified amount that the grantor contractually guarantees to pay under service concession contracts arising from BOT and TOT projects. The increase in balance by HK\$3,149.9 million (non-current portion increased by HK\$2,042.9 million and current portion increased by HK\$1,107.0 million) was mainly due to reclassification from amounts due from contract customers as a result of operation commencement of certain BOT projects; and
- (iii) Trade receivables of HK\$23,879.5 million mainly arose from the provision of construction services for comprehensive renovation projects, technical and consultancy services and sewage treatment equipment trading. The balance increased by HK\$3,032.5 million (non-current portion increased by HK\$1,190.8 million and current portion increased by HK\$1,841.7 million) was mainly due to consolidation of BEURG and reclassification from amounts due from contract customers as a result of completion of BT projects.

By business nature:

	30 June 2022 HK\$'M	31 December 2021 HK\$'M
Water treatment services by BOT and TOT projects	84,427.2	83,483.8
Construction services of comprehensive renovation projects	29,549.8	31,445.5
Technical and consultancy services and other businesses	4,643.1	4,712.7
Environmental hygiene services and hazardous waste treatment businesses	2,500.6	–
Total	121,120.7	119,642.0

Total receivables, which relates to the BOT and TOT projects, recognised under the service concession agreements in accordance with the HK(IFRIC)-Int 12 *Service Concession Arrangements* were HK\$84,427.2 million (31 December 2021: HK\$83,483.8 million). Total receivables for the construction service of comprehensive renovation projects were HK\$29,549.8 million (31 December 2021: HK\$31,445.5 million). Total receivables for technical and consultancy services and other businesses were HK\$4,643.1 million (31 December 2021: HK\$4,712.7 million). Environmental hygiene services and hazardous waste treatment businesses were HK\$2,500.6 million (31 December 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.16 Operating concessions

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

3.17 Investments in joint ventures

Investments in joint ventures decreased by HK\$254.0 million, mainly due to currency translation loss of certain joint ventures.

3.18 Investments in associates

Investments in associates decreased by HK\$2,320.6 million, mainly due to deemed disposal of SDHS New Energy and consolidation of BEURG which was classified as an associate previously.

3.19 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables decreased by HK\$568.2 million (non-current portion decreased by HK\$203.1 million and current portion decreased by HK\$365.1 million), mainly due to the decrease in amounts due from joint ventures and prepayments.

3.20 Cash and cash equivalents

Cash and cash equivalents increased by HK\$3,547.0 million which was mainly due to consolidation of BEURG and proceeds from the corporate bonds issued during the period.

3.21 Other payables and accruals

Other payables and accruals increased by HK\$1,209.3 million. The increase was mainly due to increase in amounts due to joint ventures and associates during the period.

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

On 12 May 2020, the Company issued perpetual capital instrument with an aggregate principal amount of RMB1,000 million. There is no maturity of the instrument and the payments of distribution can be deferred at the discretion of the Company subject to certain conditions. The perpetual capital instrument is classified as equity instruments.

3.23 Perpetual capital instruments

Perpetual capital instruments with principal amount of RMB1,000 million and RMB1,500 million were issued by a wholly-owned subsidiary of the Company on 30 August 2021 and 25 October 2021, respectively. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Group subject to certain conditions. The perpetual capital instruments are classified as equity instruments.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.24 Non-controlling interests

Non-controlling interests increased by HK\$2,511.4 million. Increase was mainly due to consolidation of BEURG during the period.

3.25 Bank and other borrowings

Bank and other borrowings increased by HK\$5,061.5 million. Increase in bank and other borrowings was mainly due to consolidation of BEURG and new bank loans utilised to finance for the acquisition and construction of various water projects in the PRC during the period.

3.26 Corporate bonds

Corporate bonds increased by HK\$1,921.4 million mainly due to the issuance of two new corporate bonds during the period.

3.27 Trade payables

The decrease in trade payables by HK\$1,012.8 million was mainly due to decrease in trade payables to subcontractors for construction services of the water environmental renovation projects during the period.

3.28 Deferred Income

Deferred income mainly represents government subsidies received in respect of the Group's construction of sewage treatment and water distribution facilities in the PRC.

3.29 Liquidity and financial resources

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are mainly in Hong Kong dollars and RMB. Surplus cash is generally placed in short term deposits denominated in Hong Kong dollars and RMB.

As at 30 June 2022, the Group's cash and cash equivalents amounted to HK\$14,289.7 million (31 December 2021: HK\$10,742.7 million).

The Group's total borrowings amounted to HK\$83,010.7 million (31 December 2021: HK\$76,113.5 million) comprised bank and other borrowings of HK\$61,735.4 million (31 December 2021: HK\$56,673.9 million), notes payable of HK\$2,352.8 million (31 December 2021: HK\$2,438.6 million) and corporate bonds of HK\$18,922.5 million (31 December 2021: HK\$17,001.0 million). All the corporate bonds and notes payable bear interest at fixed rates. Over 90% of bank and other borrowings bear interest at floating rates.

As at 30 June 2022, the Group had banking facilities amounting to HK\$63.3 billion, of which HK\$35.7 billion have not been utilised. The banking facilities are of 1 to 20 years term.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.29 Liquidity and financial resources *(Continued)*

The Group's total equity amounted to HK\$62,990.9 million (31 December 2021: HK\$63,548.8 million). Total equity decreased was mainly due to the depreciation of RMB as at 30 June 2022 compared to 31 December 2021.

The gearing ratio as defined as sum of bank and other borrowings, finance lease payables, notes payable and corporate bonds, net of cash and cash equivalents, divided by the total equity was 1.09 as at 30 June 2022 (31 December 2021: 1.03). The increase in the gearing ratio as at 30 June 2022 was mainly due to the increase in bank and other borrowings and the decrease in total equity during the period.

3.30 Capital expenditures

During the period, the Group's total capital expenditures were HK\$3,387.9 million (six months ended 30 June 2021: HK\$6,086.8 million), of which HK\$792.0 million was paid for the acquisition of property, plant and equipment, right-of-use assets and intangible assets; HK\$2,011.4 million represented the construction and acquisition of water plants; and HK\$584.5 million represented the consideration for acquisition of equity interests in equity investments and capital injections in joint ventures and associates.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed 71,246* employees. Total staff cost for the six months ended 30 June 2022 was HK\$2,040,571,000# (six months ended 30 June 2021: HK\$1,732,102,000). The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Discretionary bonuses, share options and share awards are awarded to certain employees according to the assessment of individual performance. On 24 April 2013, the Company had granted 400,000,000 share options at an exercise price of HK\$2.244 per share under a share option scheme adopted on 28 June 2011 for the Group's directors and employees (the "Scheme"). On 28 March 2014, the Company had granted the then independent non-executive director of the Company 2,000,000 share options at an exercise price of HK\$5.18 per share under the Scheme. The Scheme was expired on 27 June 2021. No share option was exercised, lapsed or cancelled during the six months ended 30 June 2022. As at 30 June 2022, the Company had 140,500,000 share options outstanding which were granted on 24 April 2013 and 2,000,000 share options outstanding which were granted on 28 March 2014. The total outstanding share options represented approximately 1.41% of the Company's ordinary shares in issue as at 30 June 2022. On 26 September 2019 and 1 November 2021, the Company had granted 15,374,599 awarded shares and 12,471,409 awarded shares respectively pursuant to the share award scheme adopted on 17 December 2018. All the awarded shares were vested or lapsed. As at 30 June 2022, no awarded shares to be vested were outstanding.

* Included 50,436 employees under BEURG as at 30 June 2022

Excluded total staff cost of BEURG for the six months period ended 30 June 2022 as the date of consolidation of BEURG was 30 June 2022

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the six months ended 30 June 2022, the Group had no significant investments and acquisitions of subsidiaries and affiliated companies.

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings, the corporate bonds and the notes payable of the Group as at 30 June 2022 were secured by:

- (i) mortgages over certain sewage treatment and water distribution concession rights (comprising operating concessions and receivables under service concession arrangements) which are under the management of the Group pursuant to the relevant service concession agreements signed with the grantors;
- (ii) mortgages over certain land use rights and buildings and investment properties of the Group;
- (iii) guarantees given by the Company and/or its subsidiaries;
- (iv) pledges over the Group's equity interests in certain subsidiaries;
- (v) pledges over certain of the Group's bank balances; and/or
- (vi) pledges over certain of the Group's trade receivables and amounts due from contract customers.

Save as disclosed above, at 30 June 2022, the Group did not have any charges on the Group's assets.

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operates in the PRC with most of its 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 consolidation accounts. If RMB appreciates/depreciates against Hong Kong dollar, the Group would record a(n) increase/decrease in the Group's net asset value. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		For the six months ended 30 June	
	Notes	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
REVENUE	3	10,645,939	13,669,172
Cost of sales		(6,038,227)	(8,626,580)
Gross profit		4,607,712	5,042,592
Interest income		564,237	554,488
Other income and gains, net		821,760	627,114
Administrative expenses		(1,326,146)	(1,220,422)
Other operating expenses, net		(1,800,948)	(306,934)
PROFIT FROM OPERATING ACTIVITIES	4	2,866,615	4,696,838
Finance costs	5	(1,423,358)	(1,356,578)
Share of profits and losses of:			
Joint ventures		357,360	258,253
Associates		142,870	164,138
PROFIT BEFORE TAX		1,943,487	3,762,651
Income tax expense	6	(535,408)	(676,297)
PROFIT FOR THE PERIOD		1,408,079	3,086,354
ATTRIBUTABLE TO:			
Shareholders of the Company		694,029	2,420,811
Holders of perpetual capital instruments		55,355	125,865
Non-controlling interests		658,695	539,678
		1,408,079	3,086,354
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
– Basic		HK6.64 cents	HK24.01 cents
– Diluted		HK6.61 cents	HK23.83 cents

Details of the cash dividend declared for the period are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	1,408,079	3,086,354
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange fluctuation reserve:		
– Translation of foreign operations	(3,671,924)	735,961
– Release upon disposal of subsidiaries	(157)	–
– Release upon deemed disposal of partial interest in an associate	(9,918)	–
	(3,681,999)	735,961
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
– Share of other comprehensive income of a joint venture	2,678	1,099
– Changes in fair value of equity investments designated at fair value through other comprehensive income	14,562	14,431
	17,240	15,530
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	(3,664,759)	751,491
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(2,256,680)	3,837,845
ATTRIBUTABLE TO:		
Shareholders of the Company	(2,124,469)	2,933,526
Holder of perpetual capital instruments	(55,071)	205,661
Non-controlling interests	(77,140)	698,658
	(2,256,680)	3,837,845

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	9	8,473,631	5,150,464
Right-of-use assets		1,037,356	567,414
Investment properties		841,824	872,622
Goodwill		4,433,745	4,213,729
Operating concessions		10,238,551	10,125,374
Other intangible assets		402,054	403,783
Investments in joint ventures		10,707,601	10,961,554
Investments in associates		4,215,244	6,535,839
Equity investments designated at fair value through other comprehensive income		1,335,806	1,171,428
Financial assets at fair value through profit or loss		–	52,268
Amounts due from contract customers		32,078,597	36,255,486
Receivables under service concession arrangements	10	55,260,963	53,218,131
Trade receivables	11	13,146,889	11,956,063
Prepayments, deposits and other receivables	12	1,935,808	2,138,861
Deferred tax assets		414,782	398,869
Total non-current assets		144,522,851	144,021,885
Current assets:			
Inventories		399,184	239,991
Amounts due from contract customers		3,271,841	3,798,733
Receivables under service concession arrangements	10	6,629,728	5,522,723
Trade receivables	11	10,732,647	8,890,896
Prepayments, deposits and other receivables	12	9,562,158	9,927,307
Restricted cash and pledged deposits		668,758	478,956
Cash and cash equivalents		14,289,740	10,742,695
Total current assets		45,554,056	39,601,301
TOTAL ASSETS		190,076,907	183,623,186

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
	<i>Notes</i>		
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital	13	1,013,582	1,013,582
Perpetual capital instrument		1,187,358	1,216,904
Reserves		34,869,587	37,798,892
		37,070,527	40,029,378
Perpetual capital instruments		2,923,973	3,034,399
Non-controlling interests		22,996,420	20,484,977
		25,920,393	23,519,376
TOTAL EQUITY		62,990,920	63,548,754
Non-current liabilities:			
Other payables and accruals	14	768,363	807,543
Bank and other borrowings		50,821,645	45,842,406
Corporate bonds		13,686,127	16,851,404
Lease liabilities		112,967	108,268
Provision for major overhauls		410,576	302,166
Deferred income		1,393,751	1,489,354
Deferred tax liabilities		5,006,283	4,973,688
Total non-current liabilities		72,199,712	70,374,829
Current liabilities:			
Trade payables	15	24,058,389	25,071,178
Other payables and accruals	14	10,859,380	9,610,921
Income tax payables		1,420,256	1,580,336
Bank and other borrowings		10,913,747	10,831,453
Corporate bonds		5,236,347	149,632
Notes payable		2,352,760	2,438,588
Lease liabilities		45,396	17,495
Total current liabilities		54,886,275	49,699,603
TOTAL LIABILITIES		127,085,987	120,074,432
TOTAL EQUITY AND LIABILITIES		190,076,907	183,623,186

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to shareholders of the Company																
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Share held under the share award scheme (Unaudited) HK\$'000	Share option and share award reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Fair value reserve (Unaudited) HK\$'000	Defined benefit plan reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Perpetual capital instrument (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Perpetual capital instruments (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2022	1,013,582	2,891,059	4,105,569	(113,927)	139,761	(1,272,565)	122,482	(140,732)	(51,057)	759,407	3,293,484	28,065,411	1,216,904	40,029,378	3,034,399	20,484,977	63,548,754
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	670,550	23,479	694,029	55,355	658,695	1,408,079
Other comprehensive income for the period:																	
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	-	(2,796,117)	-	-	(29,546)	(2,825,663)	(110,426)	(735,635)	(3,671,924)
Exchange reserve released on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(157)	-	-	-	(157)	-	-	(157)
Exchange reserve released upon deemed disposal of partial interest in an associate	-	-	-	-	-	-	-	-	-	(9,918)	-	-	-	(9,918)	-	-	(9,918)
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	-	-	2,678	-	-	-	-	2,678	-	-	2,678
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	14,562	-	-	-	-	-	14,562	-	-	14,562
Total comprehensive income for the period	-	-	-	-	-	-	14,562	2,678	(2,806,192)	-	670,550	(6,067)	(2,124,469)	(55,071)	(77,140)	(2,256,680)	
Exercise of share awards	-	-	-	505	(424)	-	-	-	-	-	-	(81)	-	-	-	-	-
Shares purchased for share award scheme	-	-	-	(12,355)	-	-	-	-	-	-	-	-	-	(12,355)	-	-	(12,355)
Share of reserves of associates	-	-	-	-	323	(119,771)	-	-	-	-	-	-	-	(119,448)	-	-	(119,448)
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(96,295)	(96,295)
Capital contributions from non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,983	70,983
Distributions declared to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	(23,479)	(23,479)	(55,355)	-	(78,834)
Final 2021 cash dividend paid	-	-	-	-	-	-	-	-	-	-	-	(678,100)	-	(679,100)	-	-	(679,100)
Acquisition of subsidiaries (note 16)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,613,590	2,613,590
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	305	305
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	188,507	(188,507)	-	-	-	-	-
At 30 June 2022	1,013,582	2,891,059*	4,105,569*	(125,777)*	139,660*	(1,392,336)*	122,482*	(126,170)*	(48,379)*	(2,046,785)*	3,481,991*	27,868,273*	1,187,358	37,070,527	2,923,973	22,996,420	62,990,920

* These reserve accounts comprise the consolidated reserves of HK\$34,869,587,000 (unaudited) (31 December 2021: HK\$37,798,892,000) in the condensed consolidated statement of financial position as at 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to shareholders of the Company																
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Share held under the share award scheme (Unaudited) HK\$'000	Share option and share award reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Fair value reserve (Unaudited) HK\$'000	Defined benefit plan reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Perpetual capital instrument (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Perpetual capital instruments (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2021	1,002,160	2,538,372	4,867,425	(121,268)	247,123	(275,383)	122,482	(24,693)	(56,414)	(290,924)	2,596,158	25,531,416	1,187,358	37,343,812	6,623,082	13,157,111	57,124,005
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	2,396,901	23,910	2,420,811	125,665	539,678	3,086,354
Other comprehensive income for the period:																	
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	-	482,621	-	-	14,564	497,185	79,796	158,980	735,961
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	-	-	1,099	-	-	-	1,099	-	-	-	1,099
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-	14,431	-	-	-	-	-	14,431	-	-	-	14,431
Total comprehensive income for the period	-	-	-	-	-	-	14,431	1,099	482,621	-	2,396,901	38,474	2,333,526	205,661	698,658	3,837,845	
Exercise of share options	220	6,631	-	-	(1,914)	-	-	-	-	-	-	-	4,937	-	-	-	4,937
Shares purchased for share award scheme	-	-	-	(36,848)	-	-	-	-	-	-	-	-	-	(36,848)	-	-	(36,848)
Share of reserves of associates	-	-	-	-	1,234	(311,092)	-	-	-	-	-	-	-	(309,858)	-	-	(309,858)
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(213,196)	(213,196)
Capital contributions from non-controlling equity holders	-	-	-	-	-	(278,938)	-	-	-	-	-	-	-	(278,938)	-	2,753,157	2,474,219
Distributions declared to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	(23,910)	(23,910)	(125,665)	-	(149,775)
Final 2020 cash distributions paid	-	-	(781,856)	-	-	-	-	-	-	-	-	-	-	(781,856)	-	-	(781,856)
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	203,403	(203,403)	-	-	-	-	-
At 30 June 2021	1,002,380	2,545,003	4,105,569	(158,116)	246,443	(865,413)	122,482	(10,262)	(55,315)	191,697	2,799,561	27,724,914	1,201,922	38,850,865	6,702,878	16,395,730	61,949,473

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from/(used) in operations	1,227,165	(914,279)
Hong Kong profits tax paid	(1,303)	(3,253)
Mainland China corporate income tax paid	(457,118)	(406,579)
Overseas taxes paid	(18,382)	(5,787)
Net cash flows from/(used in) operating activities	750,362	(1,329,898)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(695,972)	(315,389)
Additions of operating concession	(90,118)	(755,281)
Net cash flow from acquisition of subsidiaries (note 16)	1,281,483	–
Proceed from disposal of a subsidiary	4,878	–
Purchases of equity investments designated at fair value through other comprehensive income	(199,933)	(2,181)
Acquisition of/increase in investments in joint ventures	–	(157,488)
Acquisition of/increase in investments in an associate	(384,599)	–
Redemption of asset-backed notes	(666,468)	–
Decrease/(increase) in time deposits with maturity of more than three months when acquired	(176,507)	44,966
Decrease/(increase) in restricted cash and pledged deposits	(189,802)	26,671
Bank interest received	171,758	160,587
Other investing cash flows, net	(4,763)	(127,241)
Net cash flows used in investing activities	(950,043)	(1,125,356)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions from non-controlling equity holders	70,983	2,474,219
Issuance of corporate bonds	2,352,941	1,807,229
Repayment of corporate bonds	–	(2,551,808)
New bank and other borrowings	8,437,111	8,522,572
Repayment of bank and other borrowings	(4,577,907)	(4,736,646)
Proceeds from exercise of share options	–	4,937
Shares purchased for the share award scheme	(12,355)	(36,848)
Principal portion of lease payments	(13,548)	(50,275)
Interest paid	(1,365,573)	(1,436,042)
Dividends paid	(679,100)	(781,856)
Dividends paid to non-controlling equity holders	(96,295)	(213,196)
Other financing cash flows, net	(50,093)	(156,514)
Net cash flows from financing activities	4,066,164	2,845,772
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	10,678,848	14,651,987
Effect of foreign exchange rate changes, net	(495,945)	(101,399)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14,049,386	14,941,106
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	14,289,740	14,941,347
Less: Time deposits with maturity of more than three months when acquired	(240,354)	(241)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	14,049,386	14,941,106

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1.1 CORPORATE INFORMATION

Beijing Enterprises Water Group Limited (the “Company” or “BEWG”) is a limited liability company incorporated in Bermuda. During the six months ended 30 June 2022, the Company and its subsidiaries (collectively the “Group”) was involved in the following principal activities:

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

1.2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and compliance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021. The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the changes in accounting policies made thereafter in adopting the revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, which became effective for the first time for the current period’s interim financial information, as further detailed in note 1.3 below.

In preparing the unaudited interim condensed consolidated financial information, the Directors of the Company have given careful consideration to the future liquidity of the Group. Taking into account the Group’s internal financial resources, available banking facilities and new banking facilities currently under negotiation, the Directors of the Company considered that the Group will be able to continue as a going concern. Accordingly, the unaudited interim condensed consolidated financial information have been prepared on a going concern basis.

The interim condensed consolidated financial information has not been audited, but has been reviewed by audit committee of the Company.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

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

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are 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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Lease*: 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. OPERATING SEGMENT INFORMATION

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit for the period attributable to shareholders of the Company. The profit for the period attributable to shareholders of the Company is measured consistently with the Group's profit attributable to shareholders of the Company, except interest income on loans to joint ventures, interest income from joint venture partners, loss on deemed disposal of partial interest in an associate, finance costs, share of profits and losses of certain joint ventures and associates, as well as head office and corporate income and expenses are excluded from such measurement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

2. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2022

	Sewage and reclaimed water treatment and construction services (Unaudited) HK\$'000	Water distribution services (Unaudited) HK\$'000	Technical and consultancy services and sales of machineries (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue <i>(note 3)</i>	7,994,152	1,561,979	1,089,808	10,645,939
Cost of sales	(4,542,630)	(836,522)	(659,075)	(6,038,227)
Gross profit	3,451,522	725,457	430,733	4,607,712
Segment results:				
The Group	3,585,058	666,382	219,256	4,470,696
Share of profits and losses of:				
Joint ventures	249,737	111,299	(3,454)	357,582
Associates	14,861	2,524	(16,054)	1,331
	3,849,656	780,205	199,748	4,829,609
Corporate and other unallocated income and expenses, net				(1,604,081)
Share of profits of joint ventures and associates				141,317
Finance costs				(1,423,358)
Profit before tax				1,943,487
Income tax expense				(535,408)
Profit for the period				1,408,079
Profit for the period attributable to shareholders of the Company:				
Operating segments	3,074,667	590,373	143,757	3,808,797
Corporate and other unallocated items				(3,114,768)
				694,029

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

2. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2021

	Sewage and reclaimed water treatment and construction services (Unaudited) HK\$'000	Water distribution services (Unaudited) HK\$'000	Technical and consultancy services and sales of machineries (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue <i>(note 3)</i>	10,656,822	1,462,862	1,549,488	13,669,172
Cost of sales	(7,129,148)	(773,893)	(723,539)	(8,626,580)
Gross profit	3,527,674	688,969	825,949	5,042,592
Segment results:				
The Group	3,722,042	646,510	539,038	4,907,590
Share of profits and losses of:				
Joint ventures	208,202	49,529	–	257,731
Associates	9,009	621	2,695	12,325
	3,939,253	696,660	541,733	5,177,646
Corporate and other unallocated income and expenses, net				(210,752)
Share of profits of joint ventures and associates				152,335
Finance costs				(1,356,578)
Profit before tax				3,762,651
Income tax expense				(676,297)
Profit for the period				3,086,354
Profit for the period attributable to shareholders of the Company:				
Operating segments	3,041,147	516,329	444,980	4,002,456
Corporate and other unallocated items				(1,581,645)
				2,420,811

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

2. OPERATING SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's assets by operating segment:

30 June 2022

	Sewage and reclaimed water treatment and construction services (Unaudited) HK\$'000	Water distribution services (Unaudited) HK\$'000	Technical and consultancy services and sales of machineries (Unaudited) HK\$'000	Environmental hygiene service and waste treatment business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets:					
Operating segments	123,626,268	25,880,325	10,834,063	8,539,189	168,879,845
Corporate and other unallocated items					21,197,062
					190,076,907

31 December 2021

	Sewage and reclaimed water treatment and construction services (Audited) HK\$'000	Water distribution services (Audited) HK\$'000	Technical and consultancy services and sales of machineries (Audited) HK\$'000	Total (Audited) HK\$'000
Segment assets:				
Operating segments	126,528,278	25,145,215	10,058,159	161,731,652
Corporate and other unallocated items				21,891,534
				183,623,186

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

2. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue from external customers:		
Mainland China	9,926,751	12,964,418
Elsewhere	719,188	704,754
	10,645,939	13,669,172

The revenue information by geographical area is based on the location of the customers.

Information about major customers

During the six months ended 30 June 2022, the Group had no transaction with any single external customer which contributed over 10% of the Group's total revenue for the period (six months ended 30 June 2021: Nil).

3. REVENUE

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

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue from contracts with customers		
Sewage and reclaimed water treatment services	4,942,237	3,739,315
Construction services	3,051,915	6,917,507
Water distribution services	1,561,979	1,462,862
Technical and consultancy services and sales of machineries	1,089,808	1,549,488
	10,645,939	13,669,172

Imputed interest income under service concession arrangements amounting to HK\$1,614,279,000 (six months ended 30 June 2021: HK\$1,244,435,000) is included in the above revenue.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

3. REVENUE *(Continued)*

Revenue from contracts with customers

Disaggregated revenue information

Revenue of sewage and reclaimed water treatment services, construction services and technical and consultancy services are recognised over time. For revenue of water distribution services and sales of machineries are recognised at a point in time.

Please refer to note 2 to the financial information for the disclosure on disaggregated revenue for details.

4. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of sewage and reclaimed water treatment services rendered	1,905,121	1,426,488
Cost of construction services	2,477,525	5,601,996
Cost of water distribution services	776,782	747,633
Cost of technical and consultancy services rendered and machineries sold	659,075	723,539
Depreciation of property, plant and equipment	178,845	156,906
Depreciation of right-of-use assets	22,562	39,390
Amortisation of operating concessions*	219,724	126,924
Amortisation of other intangible assets*	23,853	22,242

* The amortisation of operating concessions and other intangible assets for the period are included in "Cost of sales" and "Administrative expenses" on the face of the condensed consolidated statement of profit or loss, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

5. FINANCE COSTS

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on bank and other loans	1,010,506	958,518
Interest on corporate bonds	392,325	429,539
Interest on notes payable	73,893	73,487
Interest on lease liabilities	2,666	6,739
Total interest expense	1,479,390	1,468,283
Increase in discounted amounts of provision for major overhauls arising from the passage of time	21,021	16,782
Total finance costs	1,500,411	1,485,065
Less: Interest included in cost of construction services	(77,053)	(128,487)
	1,423,358	1,356,578

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2022 (six months ended 30 June 2021: 16.5%).

The income tax provisions in respect of operations in Mainland China and other countries are calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions, because (1) these companies are engaged in the operations of sewage and reclaimed water treatment; and/or (2) they have operations in the Western regions of Mainland China that are qualified for a 15% concessionary corporate income tax rate for a prescribed period of time pursuant to the "Circular of the State Council on Policies and Measures Concerning the Large-scale Development of China's Western Regions" (Guo Fa [2000] No. 33) issued by the State Council of Mainland China.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

6. INCOME TAX EXPENSE *(Continued)*

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current – Hong Kong	4,706	4,016
Current – Mainland China	318,819	334,115
Current – Elsewhere	19,613	7,391
Underprovision in prior periods	–	11
Deferred	192,270	330,764
Total tax expense for the period	535,408	676,297

7. INTERIM DISTRIBUTION

On 30 August 2022, the Board declared an interim cash dividend of HK7.0 cents (six months ended 30 June 2021: HK9.0 cents) per ordinary share amounting to a total of approximately HK\$709,508,000 (six months ended 30 June 2021: HK\$908,982,000).

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to shareholders of the Company, adjusted to reflect the distribution related to the perpetual capital instruments, for the six months ended 30 June 2022, and the weighted average number of 10,135,821,871 (six months ended 30 June 2021: 10,021,778,191) ordinary shares in issue less the weighted average number of 33,551,979 (six months ended 30 June 2021: 38,619,378) ordinary shares held under the share award scheme of the Company during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to shareholders of the Company, adjusted to reflect the distribution related to the perpetual capital instrument and a dilutive effect of share options of an associate. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(Continued)

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

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Earnings		
Profit for the period attributable to shareholders of the Company	694,029	2,420,811
Distribution related to the perpetual capital instrument	(23,479)	(23,910)
Profit used in the basic earnings per share calculation	670,550	2,396,901
Effect of dilution on earnings in respect of share options of an associate	(877)	(1,425)
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	669,673	2,395,476
	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Number of ordinary shares		
Weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme, during the period, used in the basic earnings per share calculation	10,102,269,892	9,983,158,813
Effect of dilution on weighted average number of ordinary shares		
– Share options which have dilutive effect	25,476,267	69,457,807
– Share awards which have dilutive effect	69,293	–
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	10,127,815,452	10,052,616,620

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's additions of property, plant and equipment amounted to HK\$695,972,000 (six months ended 30 June 2021: HK\$315,389,000). There were disposals of property, plant and equipment with an aggregate carrying amount of HK\$519,000 (six months ended 30 June 2021: HK\$381,000) during the six months ended 30 June 2022.

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

In respect of the Group's receivables under service concession arrangements, the various group companies have different credit policies, depending on the requirements of the locations in which they operate. Ageing analyses of receivables under service concession arrangements are regularly reviewed by senior management in order to minimise any credit risk arising from the receivables.

An ageing analysis of the Group's receivables under service concession arrangements as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Billed:		
Within 3 months	2,518,372	2,248,972
4 to 6 months	1,698,117	1,471,753
7 to 12 months	1,290,415	935,770
Over 1 year	1,122,824	866,228
	6,629,728	5,522,723
Unbilled:		
Non-current portion*	55,260,963	53,218,131
Total	61,890,691	58,740,854

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

11. TRADE RECEIVABLES

The Group's trade receivables arise from the provision of construction services for comprehensive renovation projects, water distribution services on the Build-Own-Operate basis, technical and consultancy services and sale of machineries. The Group's trading terms with its customers are mainly on credit and each customer has a maximum credit limit. The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one month to three months, except for customers of the construction services for comprehensive renovation projects, who will settle the amounts owed to the Group in a number of specified instalments covering periods ranging from 1 year to 25 years. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Apart from the trade receivables of certain construction services for comprehensive renovation projects which bear interest at rates ranging from 4.8% to 15.0% (31 December 2021: 4.8% to 15.0%) per annum, all other trade receivables are non-interest-bearing.

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Billed:		
Within 3 months	4,700,467	3,621,667
4 to 6 months	1,221,219	1,263,653
7 to 12 months	1,635,824	1,588,437
Over 1 year	3,175,137	2,417,139
Balance with extended credit period	34,919	36,197
	10,767,566	8,927,093
Unbilled*	13,111,970	11,919,866
	23,879,536	20,846,959
Portion classified as current assets	(10,732,647)	(8,890,896)
Non-current portion	13,146,889	11,956,063

* The unbilled balance was attributable to certain construction services rendered under contracts for comprehensive renovation projects which will be billed in accordance with the repayment terms stipulated in relevant construction services agreements entered into between the Group and the contract customers.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Prepayments	305,498	560,715
Deposits and other debtors	6,457,875	6,389,348
Advances to subcontractors and suppliers	3,115,594	2,977,699
Due from joint ventures	1,331,777	1,556,305
Due from associates	502,867	859,000
Due from non-controlling equity holders	246,598	248,950
Due from other related parties	297,710	247,455
	12,257,919	12,839,472
Impairment	(759,953)	(773,304)
	11,497,966	12,066,168
Portion classified as current assets	(9,562,158)	(9,927,307)
	1,935,808	2,138,861
Non-current portion	1,935,808	2,138,861

13. SHARE CAPITAL

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
<i>Issued and fully paid:</i>		
10,135,821,871 (31 December 2021: 10,135,821,871) ordinary shares of HK\$0.10 each	1,013,582	1,013,582

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

13. SHARE CAPITAL *(Continued)*

A summary of the movements in the Company's issued share capital during the six months ended 30 June 2022 is as follows:

	Number of ordinary shares in issue (Unaudited)	Issued capital (Unaudited) <i>HK\$'000</i>	Share premium account (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
At 1 January 2022 and 30 June 2022	10,135,821,871	1,013,582	2,891,059	3,904,641

14. OTHER PAYABLES AND ACCRUALS

	30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
Accruals	970,235	1,277,134
Other liabilities	4,634,938	4,357,137
Contract liabilities	1,449,992	1,477,697
Due to subcontractors	905,203	990,266
Due to joint ventures	1,945,592	1,401,678
Due to associates	531,196	69,768
Due to related parties	217,559	197,774
Other taxes payables	973,028	647,010
	11,627,743	10,418,464
Portion classified as current liabilities	(10,859,380)	(9,610,921)
Non-current portion	768,363	807,543

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. TRADE PAYABLES

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 3 months	11,706,350	13,540,292
4 to 6 months	2,015,193	1,493,349
7 months to 1 year	825,300	1,262,687
1 to 2 years	3,392,048	3,933,816
2 to 3 years	2,430,461	2,667,833
Over 3 years	3,564,576	2,041,748
Balance with extended credit period	124,461	131,453
	24,058,389	25,071,178

The trade payables are non-interest-bearing and apart from certain trade payables relating to construction services which are not yet due for payments and are settled based on inspection progress of the respective projects, the other amounts are normally settled on 60-day terms.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

16. BUSINESS COMBINATION

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the six months ended 30 June 2022 as at their respective dates of acquisition are set out as follows:

	<i>Note</i>	30 June 2022 (Unaudited) HK\$'000
Property, plant and equipment		3,072,797
Right-of-use assets		410,575
Other intangible assets		92,191
Operating concessions		556,702
Investments in joint ventures		41,397
Equity investment designated at fair value through other comprehensive income		5,882
Amounts due from contract customers	<i>(b)</i>	30,766
Receivables under service concession arrangements	<i>(b)</i>	203,591
Deferred tax assets		44,529
Inventories		106,602
Trade receivables	<i>(b)</i>	2,350,759
Prepayments, deposits and other receivables	<i>(b)</i>	590,077
Cash and cash equivalents		1,614,531
Trade payables		(427,905)
Other payables and accruals		(1,606,937)
Income tax payables		(89,813)
Lease liabilities		(36,949)
Bank and other borrowings		(2,673,171)
Provision for major overhauls		(55,519)
Deferred tax liabilities		(62,106)
Deferred income		(184,603)
Total identifiable net assets at fair value		3,983,396
Non-controlling interests		(2,613,590)
		1,369,806
Goodwill on acquisition		281,185
Gains on bargain purchase		(186,466)
		1,464,525

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

16. BUSINESS COMBINATION *(Continued)*

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the six months ended 30 June 2022 as at their respective dates of acquisition are set out as follows: *(Continued)*

	30 June 2022 (Unaudited) HK\$'000
Satisfied by:	
Cash	333,048
Reclassified from investments in associates to investments in subsidiaries	1,131,477
	1,464,525
Revenue for the period since acquisition [#]	103,184
Profit for the period since acquisition	22,462

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

Cash consideration	(333,048)
Cash and cash equivalents acquired	1,614,531
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	1,281,483

Had the above business combinations taken place at the beginning of the six months ended 30 June 2022, the Group's profit for the six months ended 30 June 2022 would have been HK\$1,584,988,000 and the Group's revenue would have been HK\$13,040,822,000.

[#] *Revenue for the period since acquisition comprises revenue, interest income and other income and gains, net.*

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

16. BUSINESS COMBINATION *(Continued)*

Notes:

- (a) Business combinations during the six months ended 30 June 2022 included, inter alia, the following material transactions:
- (i) In January 2022, the Group completed the acquisition of the 70% equity interest in a company which is engaged in the provision of sewage and reclaimed water treatment services in the PRC, at an aggregate cash consideration of RMB283,090,000 (equivalent to HK\$333,048,000) from third parties. The company has become a non-wholly owned subsidiary of the Group since then; and
 - (ii) In May 2022, the Group entered into an acting in concert agreement with certain third parties ("Acting In Concert Parties") with 12.93% of the issued share capital of Beijing Enterprises Urban Resources Group Limited ("BEURG"), a then 31.23% associate of the Group and which is principally engaged in the provision of environmental hygiene, hazardous waste treatment and waste electrical and electronic equipment treatment businesses in the PRC. Pursuant to the acting in concert agreement, each of the Acting In Concert Parties irrevocably and unconditionally undertook to the Group that it would act in concert with the Group with respect to BEURG whereby each of the Acting In Concert Parties would vote in the same manner as the Group in meetings of shareholders of BEURG. In June 2022, the Group and the Acting In Concert Parties further acquired shares in BEURG, and as at 30 June 2022, the Group and the Acting In Concert Parties hold 41.06% and 19.49% of the issued share capital of BEURG, respectively. As a result, BEURG becomes a subsidiary of the Group. The Group recognised a loss on remeasurement of BEURG before consolidation of HK\$172,960,000 and a gain on bargain purchase of HK\$177,333,000 during the period which are included in "Other operating expenses, net" and "Other income and gains, net" on the face of the condensed consolidated statement of profit or loss, respectively.

The purpose of the above acquisitions is to expand the operations of the Group in the respective fields.

The goodwill arising on the above acquisitions is attributable to the benefits of synergies and expected business growth as a result of future market development.

- (b) The fair values of amounts due from contract customers, receivables under service concession arrangements, trade receivables, deposits and other receivables as at the respective dates of acquisitions during the six months ended 30 June 2022 amounted to HK\$30,766,000, HK\$203,591,000, HK\$2,350,759,000 and HK\$447,347,000, respectively.

The gross contractual amounts of amounts due from contract customers, receivables under service concession arrangements, trade receivables, deposits and other receivables as at the respective dates of acquisitions were HK\$30,766,000, HK\$203,591,000, HK\$2,368,023,000 and HK\$447,347,000, respectively, of which trade receivables of HK\$17,264,000 are expected to be uncollectible.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

17. CONTINGENT LIABILITIES

(a) Guarantees

As at 30 June 2022, bank guarantees in favour of employers in lieu of deposits for project bidding and project performance of HK\$1,469,921,000 (31 December 2021: HK\$1,223,872,000) were outstanding and corporate guarantees of HK\$3,489,019,000 (31 December 2021: HK\$3,635,425,000) were given to banks and/or institutional investors in connection with bank facilities granted to certain associates, joint ventures and bonds issued by joint ventures.

(b) Litigation

In September 2021, a plaintiff commenced an arbitration proceeding against a direct wholly-owned subsidiary of the Company (the "Subsidiary A"), alleging that the Subsidiary A failed in execution of an agreement which the Subsidiary A agreed to engage the plaintiff for Public-Private Partnership ("PPP") construction work within one year from the agreement date. During the six months ended 30 June 2022, the final arbitral award was issued and there was no material adverse financial impact of the Group.

Save as disclosed above, at 30 June 2022, the Group did not have any significant contingent liabilities.

18. LEASE

The Group as lessor

The Group leases its investment properties consisting of certain floors and portion of its office building and a commercial building in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within one year	12,976	5,029
In the second to fifth years, inclusive	9,199	1,990
After 5 years	5,141	–
	27,316	7,019

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

19. CAPITAL COMMITMENTS

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Contracted, but not provided for:		
New service concession arrangements on:		
Transfer-Operate-Transfer basis	300,443	597,212
Build-Operate-Transfer basis	7,578,536	8,472,744
Build-Own-Operate basis	33	34
Construction in progress	133,723	–
Plant and machinery and motor vehicles	299,752	–
Capital contribution to joint ventures	11,173,086	11,581,857
	19,485,573	20,651,847

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Contracted, but not provided for	1,328,354	1,830,801

Save as disclosed above, at 30 June 2022, the Group did not have any significant commitments.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. RELATED PARTY DISCLOSURES

- (a) The Group had the following material transactions during the six months ended 30 June 2022 and outstanding balances with related parties as at 30 June 2022:
- (i) Included in the amounts due from joint ventures of the Group as at 30 June 2022 was an advance to a joint venture of US\$26,390,000, (equivalent to HK\$207,103,400) (31 December 2021: US\$26,390,000 (equivalent to HK\$205,842,000)). The amount is unsecured, bearing floating interest at the London Interbank Offered Rate plus 1.5% per annum (six months ended 30 June 2021: London Interbank Offered Rate plus 2.8% per annum), and repayable on demand. Interest income of HK\$2,170,000 (six months ended 30 June 2021: HK\$3,081,000) was recognised in profit or loss during the six months ended 30 June 2022.
 - (ii) Included in the trade payables of the Group as at 30 June 2022 was an amount of HK\$3,364,000 (31 December 2021: HK\$3,450,000) due to an associate of the Group, arising from the construction of certain sewage treatment facilities carried out in the ordinary course of business of the Group. No construction service was provided, and no amount was charged during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).
 - (iii) A loan and related interest receivables of RMB52,847,000 (equivalent to HK\$63,671,000) (31 December 2021: RMB54,138,000 (equivalent to HK\$66,023,000)) were provided to a non-controlling equity holder of a subsidiary. The balance is unsecured, bears of the benchmark interest rate for 3 to 5-year RMB loans published by the People's Bank of China increased by 25% per annum and is repayable on demand and is classified as a current asset. The related interest expenses recognised in profit or loss during the six months ended 30 June 2022 and 2021 were not significant to the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. RELATED PARTY DISCLOSURES *(Continued)*

- (a) The Group had the following material transactions during the six months ended 30 June 2022 and outstanding balances with related parties as at 30 June 2022: *(Continued)*
- (iv) Included in the amounts due to related parties of the Group as at 30 June 2022 was an advance from a related party of SGD14,373,000 (equivalent to HK\$81,453,000) (31 December 2021: SGD13,806,000 (equivalent to HK\$78,997,000)). The amount is unsecured, bears interest at a fixed rate of 2.5% per annum and is repayable by quarterly instalments. Interest expense of HK\$996,000 (six months ended 30 June 2021: HK\$918,000) was recognised in profit or loss during the six months ended 30 June 2022.
 - (v) The Group had provided management services to joint ventures of the Group for RMB11,823,000 (equivalent to HK\$14,257,000) (six months ended 30 June 2021: RMB11,381,000 (equivalent to HK\$13,880,000)) and the fee was charged based on terms mutually agreed between the Group and the joint ventures during the six months ended 30 June 2022.
 - (vi) The Group had leased certain office premises to an associate of the Group for RMB4,756,300 (equivalent to HK\$5,730,500) (six months ended 30 June 2021: RMB2,308,000 (equivalent to HK\$2,781,000)) which were charged based on terms mutually agreed between the Group and the associate during the six months ended 30 June 2022.
 - (vii) The Group had provided construction services for comprehensive renovation projects located in Nanjing City and Fuzhou City in the PRC to joint ventures of the Group for an aggregate amount of RMB16,581,000 (equivalent to HK\$19,977,000) (six months ended 30 June 2021: RMB18,214,000 (equivalent to HK\$21,945,000)) during the six months ended 30 June 2022 and the fees were charged based on terms mutually agreed between the Group and the joint ventures.
 - (viii) On 30 November 2020, Linyi Bei Kong Beicheng Water Co., Ltd.* (臨沂北控北城水務有限公司) (“Linyi Bei Kong”), a subsidiary of the Group, entered into a loan agreement with Agricultural Bank of China Limited (“ABC”). Pursuant to the loan agreement, ABC has agreed to grant a loan facility in a principal amount of RMB150,000,000 (equivalent to HK\$176,471,000) (31 December 2021: RMB150,000,000 (equivalent to HK\$176,800,000)) to Linyi Bei Kong (the “Linyi Loan Facility”) as at 30 June 2022. The Linyi Loan Facility shall be secured by the pledge of security given by Linyi Bei Kong and the guarantee will be given by Beijing Enterprises Water Group (China) Investment Limited, a wholly-owned subsidiary of the Group, in favour of ABC.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following material transactions during the six months ended 30 June 2022 and outstanding balances with related parties as at 30 June 2022: *(Continued)*

- (ix) On 25 August 2021, Linyi Bei Kong, a non-wholly owned subsidiary of the Company, as borrower, entered into the loan agreement with ABC, Linyi Lanshan sub-branch (“Linyi sub-branch”), as lender, pursuant to which ABC, Linyi sub-branch agreed to grant the loan facility in a principal amount of RMB150,000,000 to Linyi Bei Kong for a term of fifteen years from the date of drawdown based on a floating interest rate equal to the relevant loan prime rate for a period longer than five years announced by the National Interbank Funding Centre on the date immediately preceding the drawdown date minus 0.6%.

The loan facility would be secured by the pledge of account receivables from Linyi Liuqing River No. 2 sewage treatment plant expansion and supporting PPP project and the guarantee would be given by Beijing Enterprises Water Group (China) Investment Limited* (北控水務(中國)投資有限公司), a wholly-owned subsidiary of the Company, in respect to the payment obligations of Linyi Bei Kong in favour of ABC, Linyi sub-branch.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rule.

- (x) On 23 December 2020, the Company and Beijing Enterprises Group Finance Co. Ltd. (“BG Finance”) entered into a 2020 deposit services master agreement (the “2020 Deposit Agreement”) whereby the Company and BG Finance continue to carry out the transactions of similar nature from time to time under the 2020 Deposit Agreement for three years from 1 January 2021 to 31 December 2023, with the terms and conditions substantially the same as those under the deposit services master agreements and its supplemental agreements signed by both parties in 2015 and 2017. BG Finance is a non-wholly owned subsidiary of BEGCL and an associate of BEHL and acts as a platform for members of BEGCL and BEHL for the provision of intra-group facilities through financial products including deposit-taking, money lending and custodian services.

The daily aggregate of deposits placed by the Group with BG Finance (including any interest accrued thereon) during the terms of the 2020 Deposit Agreement shall not exceed HK\$1,520,000,000.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following material transactions during the six months ended 30 June 2022 and outstanding balances with related parties as at 30 June 2022: *(Continued)*

(x) *(Continued)*

The deposits placed by the Group with BG Finance as at the end of the reporting period amounted to HK\$1,295,506,000 (31 December 2021: HK\$1,357,603,000). The related interest income recognised in profit or loss during the period was not significant to the Group.

The above related party transaction also constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

Loans borrowed from BG Finance by the Group as at the end of the reporting period amounted to HK\$4,942,244,000 (31 December 2021: HK\$4,501,875,000) and bear interest at floating rates ranging from 3.95% to 4.90% per annum (31 December 2021: from 3.95% to 4.90% per annum). The related interest expenses recognised in profit or loss was RMB69,774,000 (equivalent to HKD84,065,000) during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB50,248,000 (equivalent to HKD60,540,000)).

(xi) On 13 January 2020, the capital injection in cash by ABC Financial Asset Investment Co., Ltd* (農銀金融資產投資有限公司) (“ABC Financial”) into Beijing Enterprises (Guangxi) Holdings Co., Ltd.* (北控水務(廣西)集團有限公司) (the “Bei Kong Guangxi Capital Injection”), a subsidiary of the Group, was completed. Prior to completion of the Bei Kong Guangxi Capital Injection, the Group had entered into transactions with Agricultural Bank of China Limited* (中國農業銀行股份有限公司) (“ABC”) and its subsidiaries (“ABC Group”) relating to the provision of deposit services, settlement and other financial services. Upon completion of the Bei Kong Guangxi Capital Injection, ABC Financial holds 45.55% of Bei Kong Guangxi. As ABC is the ultimate controlling shareholder of ABC Financial, members of ABC Group have become connected persons of the Group. Hence, such transactions became continuing connected transactions of the Group following completion of the Bei Kong Guangxi Capital Injection pursuant to Chapter 14A of the Listing Rules. The maximum daily aggregate deposits placed by the Group with ABC Group (including any interest accrued thereon) for three financial years ending 31 December 2020 to 2022 shall not exceed RMB3,000,000,000 (equivalent to approximately HK\$3,338,527,000), respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following material transactions during the six months ended 30 June 2022 and outstanding balances with related parties as at 30 June 2022: *(Continued)*

(xi) *(Continued)*

The deposits placed by the Group with ABC Group as at 30 June 2022 amounted to RMB176,746,000 (approximately HK\$207,936,000) (31 December 2021: RMB98,332,000 (approximately HK\$119,917,000)). The related interest income recognised in profit or loss during the six months ended 30 June 2022 and 2021 were not significant to the Group.

The above related party transaction also constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

Loans borrowed from ABC by the Group as at the end of the reporting period amounted to HK\$3,036,455,000 (31 December 2021: HK\$3,011,174,000) and bear interest at floating rates ranging from 1.21% to 4.90% per annum (2021: from 1.11% to 4.90% per annum). Interest expenses of recognized in profit or loss was HKD38,919,000 during the six months ended 30 June 2022 (six months ended 30 June 2021: HKD\$30,560,000).

(xii) On 29 January 2021, Chifeng Beikong Water Purification Co., Ltd.* (赤峰北控水質淨化有限公司) (“Chifeng Beikong Water Purification”), a subsidiary of the Group, entered into a finance lease agreement with ABC Financial Leasing Co., Ltd.* (農銀金融租賃有限公司) (“ABC Financial Leasing”). Pursuant to the finance lease agreement, Chifeng Beikong Water Purification has agreed to transfer and change the registration of the ownership of facilities for phase I project of Hongmiaozi sewage treatment plant in Chifeng City, the PRC and facilities and equipment for phase II expansion project of Hongmiaozi sewage treatment plant in Chifeng City, the PRC, under the name of ABC Financial Leasing from Chifeng Beikong Water Purification for a transfer consideration of RMB110,000,000 (equivalent to approximately HK\$129,412,000) (31 December 2021: RMB110,000,000 (equivalent to approximately HK\$134,146,000)), and ABC Financial Leasing has then agreed to lease to Chifeng Beikong Water Purification with the lease principal of RMB110,000,000 (equivalent to approximately HK\$129,412,000) (31 December 2021: RMB110,000,000 (equivalent to approximately HK\$134,146,000)). The related interest expenses recognised in profit or loss during the six months ended 30 June 2022 and 2021 were not significant to the Group.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following material transactions during the six months ended 30 June 2022 and outstanding balances with related parties as at 30 June 2022: *(Continued)*

(xiii) On 30 November 2020, Shandong Zhong Cai Mo Rui Water Limited* (山東中材默銳水務有限公司) (“SD Zhong Cai”), a subsidiary of the Group, entered into a finance lease agreement with BG Finance. Pursuant to the finance lease agreement, SD Zhong Cai has agreed to transfer and change the registration of the ownership of membrane material and construction, contact oxidation tank system, homogeneous filter tank system and pipeline under the name of BG Finance from SD Zhong Cai for a transfer consideration of RMB65,000,000 (equivalent to HK\$76,471,000) (31 December 2021: RMB65,000,000 (equivalent to HK\$76,615,000)), and BG Finance has then agreed to lease to SD Zhong Cai with the lease principal of RMB65,000,000 (equivalent to HK\$76,471,000) (31 December 2021: RMB65,000,000 (equivalent to HK\$76,615,000)). The related interest expenses recognised in profit or loss during the six months ended 30 June 2022 and 2021 were not significant to the Group.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

(xiv) On 5 February, 24 March and 27 July 2021, Chifeng Bei Kong Sanzuodian Water Supply Co., Ltd.* (赤峰北控三座店供水有限公司) (“Chifeng Bei Kong”), a subsidiary of the Group, entered into loan agreements with Chifeng Songshan sub-branch of Agricultural Bank of China Limited* (中國農業銀行股份有限公司赤峰松山支行) (“ABC, Chifeng sub-branch”). Pursuant to the loan agreements, ABC, Chifeng sub-branch has agreed to grant loan facilities in an aggregate principal amount of RMB90,270,000 (equivalent to HK\$106,200,000) (31 December 2021: RMB90,270,000 (equivalent to HK\$110,085,000)) to Chifeng Bei Kong (the “Chifeng Loan Facilities”). The Chifeng Loan Facilities shall be secured by the pledge of security given by Chifeng Bei Kong and the guarantee will be given by BEWG Environmental Group Co., Ltd.* (北控中科成環保集團有限公司), a non-wholly owned subsidiary of the Company, in favour of ABC, Chifeng sub-branch). The related interest expenses recognised in profit or loss during the six months ended 30 June 2022 and 2021 were not significant to the Group.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

* For identification purpose only

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. RELATED PARTY DISCLOSURES *(Continued)*

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

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively “Other SOEs”). During the period, the Group had transactions with the Other SOEs including, but not limited to, the sale of piped water, provision of sewage treatment and construction services, bank deposits and borrowings, and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group’s business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies are not carried out on non-market terms and do not depend on whether or not the customers are the Other SOEs. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions is material related party transaction that would require separate disclosure.

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	13,094	13,289
Pension scheme contributions	126	178
Total compensation paid to key management personnel	13,220	13,467

Save as disclosed above, at 30 June 2022, the Group had no other material transactions and outstanding balances with related parties.

21. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts of financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values largely due to the short term maturities of these instruments, and accordingly, no disclosure of the fair values of these financial instruments is made.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

21. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total 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	
At 30 June 2022 (Unaudited)				
Investment properties	–	–	841,824	841,824
Equity investments designated at fair value through other comprehensive income	602,893	62,815	670,098	1,335,806
Total	602,893	62,815	1,511,922	2,177,630
At 31 December 2021 (Audited)				
Investment properties	–	–	872,622	872,622
Financial assets at fair value through profit or loss	–	–	52,268	52,268
Equity investments designated at fair value through other comprehensive income	619,512	62,280	489,636	1,171,428
Total	619,512	62,280	1,414,526	2,096,318

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 fair value measurement (31 December 2021: Nil).

For other non-current financial assets and liabilities, in the opinion of the directors of the Company, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial instruments is made.

22. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 30 June 2022 amounted to HK\$9,332,219,000 (unaudited) (31 December 2021: HK\$10,098,302,000) and HK\$135,190,632,000 (unaudited) (31 December 2021: HK\$133,923,583,000), respectively.

23. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

These unaudited condensed consolidated financial information were approved and authorised for issue by the board of directors on 30 August 2022.

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2022, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code"), were as follows:

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

Name of Directors	Capacity	Total Interests in number of ordinary shares of the Company	Approximate percentage of the issued share capital of the Company (Note 2)
Mr. Zhou Min	Note 1	367,190,878	3.6227%
Mr. Li Haifeng	Beneficial Owner	20,604,200	0.2033%
Mr. Tung Woon Cheung Eric	Beneficial Owner	285,210	0.0028%
Mr. Li Li	Beneficial Owner	1,145,088	0.0113%

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

Associated corporation	Name of Directors	Capacity	Total Interests in number of ordinary shares of the associated corporation	Approximate percentage of the issued share capital of the associated corporation (Note 5)
Beijing Enterprises Urban Resources Group Limited ("BEURG")	Mr. Zhou Min	Note 3	2,180,080,777	60.56%
	Mr. Li Haifeng	Note 4	2,180,080,777	60.56%

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS *(Continued)*

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

(Continued)

Notes:

1. Mr. Zhou Min was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 367,190,878 ordinary shares of HK\$0.10 each in the share capital of the Company ("Shares") as at 30 June 2022. These shares were held in the following capacity:
 - a. 56,400,000 Shares were held in a beneficial owner capacity.
 - b. 307,676,110 Shares and 3,114,768 Shares were held by Tenson Investment Limited and Star Colour Investments Limited ("Star Colour"), respectively, both of which are wholly and beneficially owned by Mr. Zhou Min, the chief executive officer and an executive director of the Company.
2. The percentage represented the number of Shares over the total issued Shares of the Company as at 30 June 2022 of 10,135,821,871 Shares.
3. Mr. Zhou Min was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 2,180,080,777 ordinary shares of BEURG of HK\$0.1 each ("BEURG Shares") as at 30 June 2022. These BEURG Shares were held in the following capacity:
 - a. 341,016,000 BEURG Shares were held by Star Colour which is wholly and beneficially owned by Mr. Zhou Min, the chief executive officer and an executive director of the Company.
 - b. 1,839,064,777 BEURG Shares were held by the Company, Beijing Holdings Limited ("BHL"), Long March Holdings Limited, Zhihua Investments Limited, Maolin Investments Limited ("MIL"), Mr. Li Haifeng, Mr. Zhou Chen and ZGC International Holding Limited which entered into an acting in concert agreement (the "AIC Agreement") with Star Colour (together referred to as the "Concert Parties") on 10 May 2022. Pursuant to the AIC Agreement, the Concert Parties are acting in concert in respect of their interests in BEURG and therefore each of the Concert Parties is deemed to be interested in all the shares held by them in aggregate under the SFO. As at 30 June 2022, each of the Concert Parties was interested in an aggregate of 2,180,080,777 BEURG Shares, representing approximately 60.56% of the issued share capital of the BEURG. Details of the AIC Agreement are set out in the announcement of the Company dated 10 May 2022.
4. Mr. Li Haifeng was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 2,180,080,777 BEURG Shares as at 30 June 2022. These BEURG Shares were held in the following capacity:
 - a. 1,840,000 BEURG Shares were held in a beneficial owner capacity.
 - b. 48,960,000 BEURG Shares were held by MIL which is wholly and beneficially owned by Mr. Li Haifeng, an executive director of the Company.
 - c. 2,129,280,777 BEURG Shares were held by the Company, BHL, Star Colour, Long March Holdings Limited, Zhihua Investments Limited, Mr. Zhou Chen and ZGC International Holding Limited which entered into the AIC Agreement with Mr. Li Haifeng and MIL on 10 May 2022. Pursuant to the AIC Agreement, the Concert Parties are acting in concert in respect of their interests in BEURG and therefore each of the Concert Parties is deemed to be interested in all the shares held by them in aggregate under the SFO. As at 30 June 2022, each of the Concert Parties was interested in an aggregate of 2,180,080,777 BEURG Shares, representing approximately 60.56% of the issued share capital of the BEURG. Details of the AIC Agreement are set out in the announcement of the Company dated 10 May 2022.
5. The percentage represented the number of BEURG Shares over the total issued shares of BEURG as at 30 June 2022 of 3,600,000,000 shares.

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS *(Continued)*

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

(Continued)

(iii) Long positions in share options of the Company

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

Save as disclosed above, as at 30 June 2022, there were no interest or short position of the directors or chief executives of the Company in the Shares, the underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), that are required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

Directors' Right to Acquire Shares

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

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed under the heading "Directors' Interests in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations", "Share Option Scheme" and "Share Award Scheme", no transactions, arrangements or contracts of significance to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly subsisted during the period under review.

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS *(Continued)*

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2022, so far as was known to the directors or chief executives of the Company, the following persons (not being a director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

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

Substantial Shareholders	Capacity	Total Interests in number of ordinary shares of the Company	Approximate percentage of the issued share capital of the Company <i>(Note 8)</i>
Beijing Enterprises Environmental Construction Limited ("BE Environmental")	Beneficial Owner	4,121,604,070	40.66%
Beijing Enterprises Holdings Limited ("BEHL")	Beneficial Owner/Interest of controlled corporation	4,121,607,070 <i>(Note 1)</i>	40.66%
Modern Orient Limited ("MOL")	Interest of controlled corporations	4,121,607,070 <i>(Note 2)</i>	40.66%
Beijing Enterprises Investments Limited ("BEIL")	Interest of controlled corporations	4,121,607,070 <i>(Note 2)</i>	40.66%
Beijing Enterprises Group (BVI) Company Limited ("BE Group (BVI)")	Interest of controlled corporations	4,121,607,070 <i>(Note 3)</i>	40.66%
Beijing Enterprises Group Company Limited ("BEGCL")	Interest of controlled corporations	4,153,717,070 <i>(Note 4)</i>	40.98%
Three Gorges Capital Holdings (HK) Co., Limited ("TGC HK")	Beneficial Owner	515,952,000	5.09%
Three Gorges Capital Holdings Co., Ltd ("TGC")	Interest of controlled corporation	515,952,000 <i>(Note 5)</i>	5.09%
Yangtze Ecology and Environment (HK) Investment Limited ("YEE HK")	Beneficial Owner	872,121,436	8.60%
Yangtze Ecology and Environment Co., Ltd. ("YEE")	Interest of controlled corporation	872,121,436 <i>(Note 6)</i>	8.60%
China Three Gorges Corporation ("CTG")	Interest of controlled corporations	1,588,495,436 <i>(Note 7)</i>	15.67%

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS *(Continued)*

Substantial Shareholders' Interests in Shares and Underlying Shares *(Continued)*

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

Notes:

- (1) The interest disclosed comprises the Shares owned by BE Environmental. BE Environmental beneficially holds 4,121,604,070 Shares (representing approximately 40.66% in the issued share capital of the Company). BE Environmental is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the Shares owned by BE Environmental.
- (2) The interest disclosed comprises 3,000 Shares directly owned by BEHL and 4,121,604,070 Shares owned through BE Environmental. MOL and BEIL are the immediate shareholders of BEHL and collectively hold approximately 20.91% of the issued share capital of BEHL. Accordingly, each of MOL and BEIL is deemed to be interested in the Shares owned by BEHL and Shares through BE Environmental.
- (3) The interest disclosed comprises the Shares owned by BEIL and MOL (through BEHL and BE Environmental). BEHL is held directly as to approximately 41.09% by BE Group (BVI). MOL is a wholly owned subsidiary of BEIL, which is in turn directly held as to approximately 72.72% by BE Group (BVI). Accordingly, BE Group (BVI) is deemed to be interested in the Shares indirectly owned by BEIL and MOL (through BEHL and BE Environmental).
- (4) The interest disclosed comprises the Shares owned by BE Group (BVI) as detailed in note (3) above and 32,110,000 Shares owned by BHL. Both BE Group (BVI) and BHL are wholly-owned subsidiaries of the BEGCL. Accordingly, BEGCL is deemed to be interested in the Shares indirectly owned by BE Group (BVI) and directly owned by BHL.
- (5) The interest disclosed comprises the Shares owned by TGC HK which beneficially holds 515,952,000 Shares (representing approximately 5.09% in the issued share capital of the Company). TGC HK is a wholly-owned subsidiary of TGC. Accordingly, TGC is deemed to be interested in the Shares owned by TGC HK.
- (6) The interest disclosed comprises the Shares owned by YEE HK which beneficially holds 872,121,436 Shares (representing approximately 8.60% in the issued share capital of the Company). YEE HK is a wholly-owned subsidiary of YEE. Accordingly, YEE is deemed to be interested in the Shares owned by YEE HK.
- (7) The interest disclosed comprises (i) 515,952,000 Shares owned by TGC HK, a direct wholly-owned subsidiary of TGC which is in turn directly held as to 40% by CTG, 30% by China Three Gorges Investment Management Co., Ltd. and 10% by China Yangtze Power Co., Ltd. ("CYP"). CYP is directly held as to 54.54% by CTG and 3.87% by China Three Gorges Construction Engineering Corporation, a direct wholly-owned subsidiary of CTG; (ii) 200,422,000 Shares owned by China Yangtze Power International (Hongkong) Co., Ltd., a direct wholly-owned subsidiary of CYP; and (iii) 872,121,436 Shares owned by YEE HK, a direct wholly-owned subsidiary of YEE, which is in turn directly held as to 100% by CTG.
- (8) The percentage represented the number of Shares over the total issued Share of the Company as at 30 June 2022 of 10,135,821,871 Shares.

Save as disclosed above, as at 30 June 2022, the Company had not been notified by any persons (other than the directors or the chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME

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

The total number of shares available for issue under the Scheme was 142,500,000 Shares in respect of all outstanding share options which remain exercisable, representing approximately 1.41% of the ordinary Shares of the Company in issue as at 30 June 2022.

During the six months ended 30 June 2022, no options were granted under the Scheme, the movements in the share options of the Company during the period are set out as follows:

Category of Participants/ Name	Number of Share Options					As at 30 June 2022	Grant Date	Exercisable Period	Exercise Price HK\$	Weighted Average Closing Price per Share HK\$
	As at 1 January 2022	Granted	Exercised	Lapsed	Cancelled					
Directors										
Tung Woon Cheung Eric	1,800,000	-	-	-	-	1,800,000	24/4/2013	24/4/2014 – 23/4/2023	2.244	-
	1,800,000	-	-	-	-	1,800,000	24/4/2013	24/4/2015 – 23/4/2023	2.244	-
	1,800,000	-	-	-	-	1,800,000	24/4/2013	24/4/2016 – 23/4/2023	2.244	-
	1,800,000	-	-	-	-	1,800,000	24/4/2013	24/4/2017 – 23/4/2023	2.244	-
	1,800,000	-	-	-	-	1,800,000	24/4/2013	24/4/2018 – 23/4/2023	2.244	-
	9,000,000	-	-	-	-	9,000,000				
Li Li	1,180,000	-	-	-	-	1,180,000	24/4/2013	24/4/2015 – 23/4/2023	2.244	-
	3,840,000	-	-	-	-	3,840,000	24/4/2013	24/4/2016 – 23/4/2023	2.244	-
	3,840,000	-	-	-	-	3,840,000	24/4/2013	24/4/2017 – 23/4/2023	2.244	-
	3,840,000	-	-	-	-	3,840,000	24/4/2013	24/4/2018 – 23/4/2023	2.244	-
	12,700,000	-	-	-	-	12,700,000				
Zhang Gaobo	400,000	-	-	-	-	400,000	24/4/2013	24/4/2017 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/4/2013	24/4/2018 – 23/4/2023	2.244	-
	800,000	-	-	-	-	800,000				
Guo Rui	400,000	-	-	-	-	400,000	24/4/2013	24/4/2018 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000				

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME (Continued)

Category of Participants/ Name	Number of Share Options					As at 30 June 2022	Grant Date	Exercisable Period	Exercise Price HK\$	Weighted Average Closing Price per Share HK\$
	As at 1 January 2022	Granted	Exercised	Lapsed	Cancelled					
Wang Kaijun	400,000	-	-	-	-	400,000	24/4/2013	24/4/2014 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/4/2013	24/4/2015 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/4/2013	24/4/2016 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/4/2013	24/4/2017 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/4/2013	24/4/2018 – 23/4/2023	2.244	-
	2,000,000	-	-	-	-	2,000,000				
Sub-total	24,900,000	-	-	-	-	24,900,000				
Eligible Participants including Employees										
In aggregate	7,596,000 (Note)	-	-	-	-	7,596,000	24/4/2013	24/4/2014 – 23/4/2023	2.244	-
	18,704,000 (Note)	-	-	-	-	18,704,000	24/4/2013	24/4/2015 – 23/4/2023	2.244	-
	20,700,000 (Note)	-	-	-	-	20,700,000	24/4/2013	24/4/2016 – 23/4/2023	2.244	-
	33,380,000 (Note)	-	-	-	-	33,380,000	24/4/2013	24/4/2017 – 23/4/2023	2.244	-
	35,220,000 (Note)	-	-	-	-	35,220,000	24/4/2013	24/4/2018 – 23/4/2023	2.244	-
	2,000,000	-	-	-	-	2,000,000	28/3/2014	1/6/2016 – 27/3/2024	5.180	-
Sub-total	117,600,000	-	-	-	-	117,600,000				
Total	142,500,000	-	-	-	-	142,500,000				

Note:

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

Save as disclosed above, no share options were granted, exercised, lapsed or cancelled under the Scheme during the six months ended 30 June 2022.

The Company recognised the fair value of the share options, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. Upon the exercise of share options, the resulting Shares issued are recorded by the Company as additional share capital at the nominal value of the Shares, and the excess of the exercise price per Share over the nominal value of the Shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account. When the share options are forfeited/lapsed after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will be transferred to retained profits as a movement in reserves. For further details, please refer to the “Summary of Significant Accounting Policies” in the 2021 annual report of the Company (the “Annual Report 2021”).

DISCLOSEABLE INFORMATION

SHARE AWARD SCHEME

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

The Share Award Scheme shall be valid and effective for a term of five years commencing on the adoption date and ending on the expiry of the trust period which may be extended by the Board at its absolute discretion.

Pursuant to the Share Award Scheme, the Company shall cause to pay the trustee the sum for the purchase of the existing awarded shares and the related expenses. The trustee shall purchase the existing Shares from the market and shall hold such Shares until they are vested in accordance with the scheme rules. Subject to the terms and conditions of the Share Award Scheme and the fulfillment of all vesting conditions to the vesting of the awarded Shares, the awarded Shares shall be held by the trustee on behalf of the selected participants until the end of the vesting period. The awarded Shares will be transferred by the trustee to the selected participants.

The maximum aggregate number of Shares which can be held by the trustee under the Share Award Scheme at any single point in time shall not exceed 2% of the total issued share capital of the Company from time to time. The maximum number of existing Shares which may be awarded to a selected participant under the Share Award Scheme in any 12-month period shall not exceed 1% of the total issued share capital of the Company from time to time. If the selected participant is a director of the Company, the maximum number of existing Shares which may be awarded to him/her under the Share Award Scheme in any 12-month period shall not exceed 0.1% of the total issued share capital of the Company from time to time.

During the six months ended 30 June 2022, no awarded Shares were granted under the Share Award Scheme, the movements in the awarded Shares of the Company during the period are set out as follows:

Category of Participants/ Name	Number of awarded Shares				As at 30 June 2022
	As at 1 January 2022	Granted	Vested	Lapsed	
Eligible Participants					
In aggregate	140,920	–	140,920	–	–
Total	140,920	–	140,920	–	–

Save as disclosed above, no awarded Shares was granted, vested or lapsed under the Share Award Scheme during the six months ended 30 June 2022.

DISCLOSEABLE INFORMATION

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

During the period under review and up to the date of this report:

- Mr. Li Yongcheng resigned as an executive director, the chairman of the board of directors of the Company and the chairman of Nomination Committee of the Company on 11 July 2022.
- Mr. Xiong Bin was appointed as an executive director, the chairman of the board of directors of the Company and the chairman of Nomination Committee of the Company on 11 July 2022.
- Mr. Zhang Tiefu resigned as an executive director of the Company on 29 April 2022.
- Mr. Zhao Feng resigned as a non-executive director of the Company on 15 March 2022.
- Mr. Wang Dianchang was appointed as a non-executive director of the Company on 15 March 2022.

Changes in information of directors since the date of the Annual Report 2021 up to the date of this report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- Mr. Zhou Min, an executive director and the chief executive officer of the Company, was redesignated from a non-executive director to an executive director of BEURG on 1 August 2022.
- Mr. Li Haifeng, an executive director of the Company, was redesignated from a non-executive director to an executive director of BEURG on 1 August 2022.
- Mr. Li Li, an executive director and the chief operating officer of the Company, was redesignated from a non-executive director to an executive director of BEURG on 1 August 2022.
- Mr. Chau On Ta Yuen, an independent non-executive director of the Company, is an executive director and chairman of Good Resources Holdings Limited (stock code: 109) which has been delisted from the Stock Exchange since May 2022.

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

Save as disclosed above, since the issue date of the Annual Report 2021, there has been no change in the Board, and there has been no change in directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSEABLE INFORMATION

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 constituted disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)/Issuance of Notes	Nature of the Agreement(s)/Notes	Aggregate amount (million)	Final Maturity	Specific performance obligations
8 November 2013	Note purchase agreement with an institutional investor	RMB2,000	November 2022	<i>Note 1</i>
18 December 2017	Term loan facility with a bank	HK\$4,000	December 2022	<i>Note 2</i>
24 April 2018	Subscription agreement for issuance of bonds	US\$500	May 2023	<i>Note 1</i>
25 May 2018	Issuance of medium-term notes	RMB1,000	May 2025 <i>Note 4</i>	<i>Note 1</i>
20 July 2018	Issuance of medium-term notes	RMB2,000	July 2025 <i>Note 4</i>	<i>Note 1</i>
14 December 2018	Term loan facilities with various banks	AU\$146	December 2023	<i>Note 3</i>
11 January 2019	Issuance of medium-term notes	RMB1,000	January 2026 <i>Note 4</i>	<i>Note 1</i>
11 January 2019	Issuance of medium-term notes	RMB1,000	January 2029	<i>Note 1</i>
12 May 2020	Issuance of medium-term notes	RMB1,000	5+N years <i>Note 5</i>	<i>Note 1</i>
16 November 2020	Green loan facility with a bank	HK\$1,800	November 2025	<i>Note 2</i>
25 November 2020	Term loan facility with a bank	HK\$1,500	November 2025	<i>Note 2</i>
20 January 2022	Issuance of medium-term notes	RMB1,000	January 2027 <i>Note 4</i>	<i>Note 6</i>
		RMB1,000	January 2027	<i>Note 6</i>

DISCLOSEABLE INFORMATION

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER *(Continued)*

Notes:

- (i) BEHL owns or controls at least/more than 35% of the voting rights of the issued share capital of the Company, whether directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; (ii) BEHL supervises the Company and/or have management control over the Company; (iii) BEHL is directly or indirectly the single largest shareholder of the Company; and/or (iv) the nominees of BEHL comprise the majority of the members of the Board.
- (i) BEHL owns, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of voting rights in the Company, free from any security; (ii) BEHL supervises the Company and/or have management control over the Company; (iii) BEHL is directly or indirectly the single largest shareholder of the Company; (iv) BEGCL owns, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any security; (v) BEGCL is directly or indirectly the single largest shareholder of BEHL and/or supervises BEHL; and (vi) BEGCL is effectively wholly-owned, supervised and controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality* (北京市人民政府國有資產監督管理委員會) ("Beijing SASAC").
- (i) BEHL owns, directly or indirectly, more than 35% of the issued share capital of the Company; (ii) BEHL is the single largest shareholder of the Company; (iii) BEGCL owns, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any security; and (iv) BEGCL is effectively wholly-owned, supervised and controlled by Beijing SASAC.
- Two years prior to the maturity pursuant to the terms and conditions in the medium-term notes, the Company shall be entitled to adjust the coupon rate of the medium-term notes and the note holders shall be entitled to sell back the medium-term notes to the Company.
- The reset date of each coupon rate is the redemption date. The Company has the right to choose to redeem the principal at the face value plus accrued interest on the first reset date of the coupon rate of the medium-term note and every subsequent interest payment date. The reset date of coupon rate is the corresponding day of every 5 years from the first reset date of coupon rate. The end of the fifth interest-bearing year is the first reset date of coupon rate. From the sixth interest bearing year, the coupon rate is reset every 5 years.
- (i) BEGCL owns or controls, directly or indirectly, at least 35% of the voting rights of the issued share capital of the Company; (ii) BEGCL supervises the Company; (iii) BEGCL is directly or indirectly the single largest shareholder of the Company; and (iv) the nominees of BEGCL comprise the majority of the members of the Board.

* For identification purposes only

According to the respective terms and conditions of the Agreements, breach of the above specific performance obligations will constitute events of default. If an event of default occurs, (a) the bank or syndicate of banks may declare any commitment under the Agreements to be cancelled and/or declare all outstanding amounts together with interest accrued thereon and all others sums to be immediately due and payable or payable on demand; or (b) holders of the bonds or notes will have right at their options to require the Company to redeem all but not some only of that holders' bonds or notes at 101% of their respective principal amounts together with accrued interest; or (c) holders of medium-term notes may have the option to sell back the medium-term notes to the Company.

DISCLOSEABLE INFORMATION

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

INTERIM DIVIDEND

The Directors of the Company have resolved to pay an interim cash dividend of HK7.0 cents per ordinary Share for the six months ended 30 June 2022, payable on or before Thursday, 20 October 2022 to shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 5 October 2022 for their continuous supports to the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 30 September 2022 to Wednesday, 5 October 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 29 September 2022.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

During the six months ended 30 June 2022, in the opinion of the Board, the Company complied with all code provisions set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules, with deviation mentioned below.

Code provision F.2.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting of the Company. Having regard to the travel restrictions in connection with the COVID-19 pandemic, the chairman of the Board did not attend the annual general meeting of the Company held on 8 June 2022. In his absence, the executive director of the Company was invited to chair the annual general meeting and the member of nomination committee of the Company was invited to attend by video/audio conferencing, and was available to answer shareholders’ questions at the annual general meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that during the six months ended 30 June 2022, all the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”) comprises three independent non-executive directors of the Company, namely Mr. Shea Chun Lok Quadrant (the chairman of the Audit Committee), Mr. Zhang Gaobo and Mr. Guo Rui. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure, risk management and internal controls of the Company. The unaudited interim results for the six months ended 30 June 2022 have been reviewed and approved by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.

CORPORATE GOVERNANCE

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Audit Committee, on behalf of the Board, reviews and monitors the effectiveness of risk management and internal control systems of the Group in accordance with policies and practices of the Company and receives reports on the effectiveness of these systems periodically.

The Group has an audit and risk management center in place. Among them, the risk management department should be responsible for organizing and setting up a risk management mechanism regarding corporate objectives so as to identify, control, acknowledge and manage the risks faced by the Group. In particular, the Group applies strict guidelines and procedures that monitor and control each investing unit for its investment, with the aim to mitigate risk exposure and external impacts and ensure that the risk management process is in line with the relevant objective. On the other hand, audit department carries out an independent review of key business processes and controls in accordance with its normal procedures and the recommendations and remedial measures are taken to rectify the deficiencies accordingly. The Group from time to time handles inside information in accordance with the procedures and guidelines, updates the internal control system when there are changes to business environment or regulatory guidelines; and follows up with various departments and business segments to ensure the timely implementation of the recommendations.

The Board believes that there is an adequacy of resources in terms of staff qualifications and experience, training programmes and budget of the internal audit function of the Group.

The Board considers that enhanced risk management and internal control systems of the Group were effective and adequate for the six months ended 30 June 2022. No significant areas of concern that may affect the financial, operational and compliance control functions of the Group have been identified.