



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
2021



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Zhao Feng

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. Li Yongcheng (*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

REGISTERED OFFICE

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31 Victoria Street
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Bermuda

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Hong Kong
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Fax: (852) 2796 9972

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

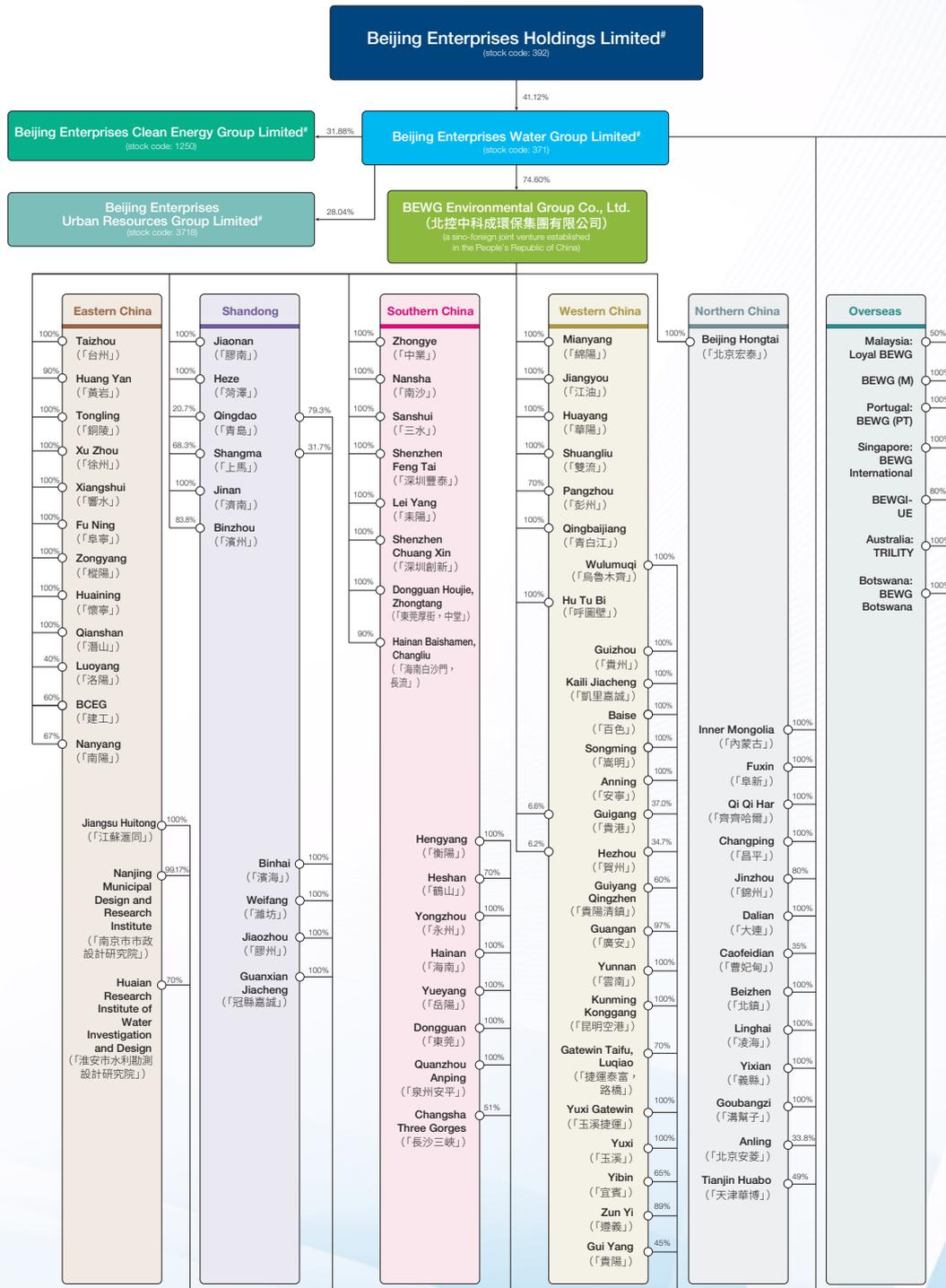
PRINCIPAL BANKERS

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
Hang Seng Bank Limited
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 2021



* 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 the first year of the 14th Five-Year Plan, China has made steady progress in growing its pandemic-stricken economy from quarter to quarter. Beijing Enterprises Water Group Limited (the “Company”, together with its subsidiaries, collectively referred to as the “Group” or “BEWG”) upholds the operation philosophy of sustainability by being customer-centric, continuously improving product and service quality and steadily pushing ahead with the transformation towards an asset-light enterprise. Through years of unremitting hard work, the Group saw a significant improvement in its cash flow performance for the period and continuous optimisation of its profit structure, which were the benefits of the asset-light transformation and will facilitate BEWG’s development during the 14th Five-Year Plan period.

PERFORMANCE REVIEW

For the six months ended 30 June 2021, the Group recorded a net increase in daily design capacity of 1,306,595 tons, bringing the total daily design capacity to 43,431,331 tons. Revenue for the period was HK\$13,669.2 million, an increase of 10% as compared with the corresponding period last year. Total profit attributable to shareholders of the Company amounted to HK\$2,420.8 million, an increase of 7% as compared with the corresponding period last year. Basic earnings per share for the period was HK24.01 cents. In recognition of the continuous support of the shareholders to the Company, the board of directors of the Company (the “Board”) resolved to make an interim cash dividend of HK9.0 cents per share to the shareholders.

During the COVID-19 pandemic, the Group has been actively adapting to the prevention and control measures by coordinating internal and external efforts and strictly following the anti-pandemic regulations of various local governments, thereby safeguarding the safety and health of the staff and ensuring production safety and the overall stability of its operation.

Despite enormous pressure from an external environment, the Group secured new contracts of water services involving a daily water volume of 2,055,200 tons, reaching a new high for the corresponding periods in three years. This has highlighted BEWG’s professionalism and capability of maintaining and expanding businesses, and has shown full recognition from the market. The newly-secured Luwan River project of 700,000 tons will strengthen the cooperation with the local government, deliver a safer and more reliable water supply system and cultivate the Group’s customer-centric urban management.

Facing the extreme heavy rainfall weather in Henan, BEWG has implemented precautionary measures to ensure quality, safe and stable water supply.

The National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development have jointly issued the 14th Five-Year Plan for Urban Sewage Treatment and Resources Utilisation Development Plan (《「十四五」城鎮污水處理及資源化利用發展規劃》) for fully and systematically improving sewage collection and treatment efficiency, stepping up sewage resource utilisation and strengthening the operation and maintenance of water facilities. Guided by scientific planning and customer needs, the Group has made steady advancements in the quality and efficiency of urban sewage treatment and further increased water use efficiency. By returning water to the ecosystem and supplying water for street cleaning, greening and watering, the Group’s Nan An Reclaimed Water Plant in Yibin City has boosted residents’ living quality and played an important role in conserving and improving the ecosystem of the upper reach of the Yangtze River.

CHAIRMAN'S STATEMENT

PERFORMANCE REVIEW *(Continued)*

The active participation in the Yangtze River Protection has allowed the Group to bring its years of experience in project planning and identification, outstanding technology and operational advantages into full play and continue with the in-depth cooperation with China Three Gorges Corporation ("CTG") with an asset-light model. During the period, the Group entered into an agreement with Changsha Three Gorges Beijing Enterprises Water Group Co., Ltd.* (長沙三峽北控水務有限公司) for the Shishou project with a total project investment of RMB28.1 billion. The Group will work relentlessly with CTG for the Yangtze River Protection and the ecological construction of "a beautiful China".

The Group has devoted full efforts to vitalising rural economy, strengthening technological innovation, promoting the comprehensive work flow of BEWG's product commercialisation, enhancing its system delivery capacity, upholding new development philosophies and devising new development patterns.

Beijing Enterprises Clean Energy Group Limited, one of the group companies, has promoted the healthy growth of the businesses of photovoltaic power generation, wind power generation and clean heat supply. Focusing on the acquisition of resources, it will further promote the high quality development of its new generation clean energy business.

Beijing Enterprises Urban Resources Group Limited, one of the group companies, principally engages in the provision of environmental hygiene and hazardous waste treatment services. Being customer-oriented, it has strengthened digitalisation to support its high quality development and has secured a healthy and progressive growth.

CORPORATE MANAGEMENT AND CONTROL

During the first half of 2021, the 14th Five-Year Plan and the 2035 Vision Outline have stated clearly the goal of "a complete transformation into a green economy and society". To achieve sustainability and advance ecology for a brighter future, the country aims to go green in various aspects from drinking water safety, urban water environment, urban drainage and flood prevention, resource conservation and recycling to smart water services. Such pursuit of high quality development will not only create a new and modern pattern for the harmonious development of human and nature, but also present opportunities and challenges for environmental enterprises.

The Group has customer-centricity as a fundamental element in its philosophy and aims for creating value for customers in order to support its long-term development. It employs customer-driven strategy for urban management, enhances customer management and market development and furthers regional penetration and cooperation. Against the backdrop of an organisational reform, it heavily promotes research and development and sets up product lines with better output and delivery. The core capabilities of its products and delivery have been strengthened so as to increase customer satisfaction. With the goal of bringing superior operation services to its customers, the Group also optimises and upgrades its operation management system and cost control procedures, speeds up the establishment of the "1+N" integrated model and digital transformation and persistently improves operation quality.

CHAIRMAN'S STATEMENT

CORPORATE MANAGEMENT AND CONTROL *(Continued)*

To promote digitalisation and platformisation as well as transformation and upgrade, the Group is committed to its dual-platform strategy by continuing reform and innovation, focusing on technological advancement and setting up a digital system. With the basic goal of pursuing excellence in the “1+N” digitalised operation and by leveraging the BECloud™ platform for smart water services, it has formulated a comprehensive set of solutions for digitalised operation. Business digitalisation and management digitalisation are the key elements of the Group’s digital transformation and the Group has endeavoured to establish a system of digitalised competence for all business formats and strengthen product and business competence so as to realise the integration of real-time data and business data.

In response to the country’s strategic goals of building a better and more stable ecosystem, a more desirable environment and the acceleration of green restructuring, the amount of investments and the demand for talents in the ecological and environmental sector will be on the rise. Through a new multilevel and multiformat education model comprising five major aspects, namely corporate business education, academic studies, professional qualifications, innovation and venture and talent grooming, BEWG aims to empower the green industry. It pushes for greater collaboration between industry peers in talent development, commercialisation of technological achievements and other areas as well as as enhanced school-enterprise cooperation in innovation and contribution to the key national strategy, so as to attain high quality development of China’s ecological and environmental sector.

During the period, the Group enjoyed fruitful results from its strategy that gives an equal value to light and heavy assets and saw a significant improvement in its cash flow performance, demonstrating its edges in capital management. It spared no efforts in upgrading the management system of accounts receivable, improving the assessment of receivable collection, devoting management resources to key assets, imposing control over major receivables and increasing capital efficiency. It has also maintained and improved its debt capital structure and managed to lower finance costs. Moreover, the successful issuance of the 2021 medium-term panda bonds series 1, which were well-received and widely recognised by financial institutions and the coupon rate of which is the lowest among the recently-issued bonds with the same term, has offered a strong support for the long-term, stable and healthy development of the businesses of the Group.

CHAIRMAN'S STATEMENT

SUSTAINABLE DEVELOPMENT

The Group is always committed to the corporate vision of “achieving business sustainability with consistent water purity”. By continually enhancing corporate operation philosophy and perfecting the management mechanism, it has transformed its management capacity from response-based to adaptation-oriented with a systematic yet flexible structure. As a customer-centric enterprise, the Group aims at having a clear understanding of customer demand and focuses on meeting customer needs. It persistently explores innovative models for corporate management, strengthens delicacy management, values research and development of innovative technology, adroitly commercialises new scientific and technological achievements, improves construction and delivery and enhances product quality with the aim of realising quality and sustainable development through continuous value creation for customers.

The Group adopts for its water plants a low-carbon operating approach that emphasizes water quality and sustainability, reuse of materials, environmental friendliness, better use of energy and low-carbon operation. It presses on with refining its technology roadmap so as to put the low-carbon concept for the water service industry into action. In response to the country's “3060 double carbon targets”, the Group has taken a proactive role in promoting the national strategy for green development. Measures taken include further enhancing the environmental management system, tightening control over discharges of pollutants, pushing for green construction and green operating model that support energy savings and lower consumption, optimising the use of resources, promoting green office practices, boosting resource efficiency and reducing energy consumption. The achievements of the Group in low-carbon operation have been widely recognised by industry players as the Group's Chandong Sewage Treatment Plant in Luoyang was listed as one of the first exemplary low-carbon projects of urban sewage treatment by the China Association of Environmental Protection Industry. Looking forward, the Group will carry on boosting the operational efficiency of its projects, implementing the concept of low-carbon operation, leading the industry in high-quality development and working towards the country's goals of carbon emission peak and carbon neutrality.

Based on the talent management requirements and needs for the succession planning of its asset-light strategy, the Group has adopted promotion and incentive policies in a flexible manner and implemented comprehensive remuneration management. To provide employees at all levels with room for advancement and growth and to play a guiding role as the industry leader, the Group spares no efforts in realising the potential of, and grooming, outstanding employees who can fulfil the requirements of the development of the Group.

The Group considers a sustainable supply chain as an integral part of its ecological strategy and has been actively advancing the transformation to digitailised supply chain under the digitalisation strategy. Through ecological supply chain management, the Group has stepped up the adoption of sustainability requirements and applied sophisticated technology to the ecological supply chain. Efforts have been made to promote profound and effective integration of resources in the environmental industry and mutual development of industry players, thereby forging a high-quality and responsible supply chain for the healthy and sustainable development of the Group.

CHAIRMAN'S STATEMENT

FUTURE DEVELOPMENT

During the 14th Five-Year Plan period, China will push ahead with supply-side structural reforms and dual circulation economic strategy, which will bring along changes and greater market demand in the industry during the 14th Five-Year Plan period. With the ultimate goal of pursuing high-quality and sustainable development, the Group is dedicated to establishing systematic restoration as well as scientific and effective management of the ecosystem, cultivating innovation and vitality, steering reforms and development, being customer-centric and setting up customer-oriented systems.

During the 14th Five-Year Plan period, the Group will work closely together with CTG to create synergy and enhance and renew its strength. Being steadfast to the idea of ecological civilisation proposed by General Secretary Xi Jinping, we will strive to realise the concept that “clear waters and lush mountains are gold and silver mountains” and tread a new path that prioritises ecological conservation and boosts green development.

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

Li Yongcheng

Chairman

30 August 2021

* *for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the period attributable to shareholders of the Company increased by 7% to HK\$2,420.8 million. Revenue increased by 10% to HK\$13,669.2 million as a result of increase in revenue contribution from water treatment services.

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	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 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	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.

⁵ 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 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	2,601.1	21%	60%	1,247.8	
– Joint ventures and associates				141.5	
				1,389.3	36%
Overseas					
– Subsidiaries	150.3	1%	24%	23.6	1%
	2,751.4	22%		1,412.9	37%
Water distribution services					
China					
– Subsidiaries	963.8	8%	51%	346.1	9%
– Joint ventures				45.3	1%
				391.4	10%
Overseas					
– Subsidiaries	237.6	2%	35%	53.1	1%
– Joint ventures				17.0	1%
				70.1	2%
	1,201.4	10%		461.5	12%
Subtotal	3,952.8	32%		1,874.4	49%

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% [§]	1,676.6	13%	27%	390.4	10%
– Interest income	–	–	–	109.5	3%
	1,676.6	13%	27%	499.9	13%
Construction of BOT water projects	5,544.4	45%	25%	1,047.3	27%
Subtotal	7,221.0	58%		1,547.2	40%
3. Technical services and sale of machineries for the water environmental renovation					
	1,280.0	10%	59%	404.1	11%
Business results	12,453.8	100%		3,825.7	100%
Others[#]				(1,557.3)	
Total				2,268.4	

[#] Others included head office expense and other cost, net, of HK\$292.8 million, share of profit of joint ventures and associates of HK\$179.1 million, share award expenses of HK\$27.2 million, finance costs of HK\$1,301.6 million and profit attributable to holders of perpetual capital instruments of HK\$114.8 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\$93.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

The comparison of the Group's financial results for the six months ended 30 June 2021 and 2020 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	For the six months ended 30 June				For the six months ended 30 June			
	2021 HK\$'M	2020 HK\$'M	Increase/(Decrease) HK\$'M	%	2021 HK\$'M	2020 HK\$'M	Increase/(Decrease) HK\$'M	%
1. Water treatment services								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	3,522.1	2,601.1	921.0	35%	1,622.7	1,247.8	374.9	30%
– Joint ventures and associates					157.0	141.5	15.5	11%
					1,779.7	1,389.3	390.4	28%
<i>GP ratio</i>	61%	60%		1%				
Overseas								
– Subsidiaries	217.2	150.3	66.9	45%	32.0	23.6	8.4	36%
<i>GP ratio</i>	24%	24%		–				
	3,739.3	2,751.4	987.9	36%	1,811.7	1,412.9	398.8	28%
Water distribution services								
China								
– Subsidiaries	1,186.3	963.8	222.5	23%	400.5	346.1	54.4	16%
– Joint ventures					40.5	45.3	(4.8)	(11%)
					441.0	391.4	49.6	13%
<i>GP ratio</i>	50%	51%		(1%)				
Overseas								
– Subsidiaries	276.6	237.6	39.0	16%	65.7	53.1	12.6	24%
– Joint ventures					9.7	17.0	(7.3)	(43%)
					75.4	70.1	5.3	8%
<i>GP ratio</i>	34%	35%		(1%)				
	1,462.9	1,201.4	261.5	22%	516.4	461.5	54.9	12%
Subtotal	5,202.2	3,952.8	1,249.4	32%	2,328.1	1,874.4	453.7	24%

MANAGEMENT DISCUSSION AND ANALYSIS

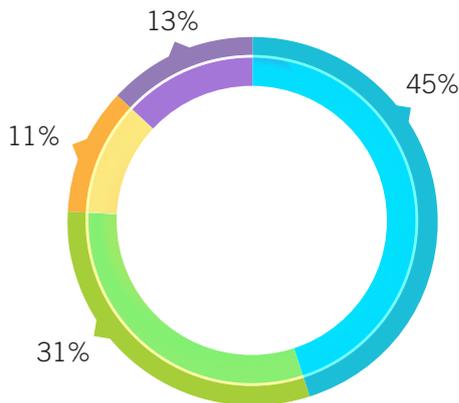
1. FINANCIAL HIGHLIGHTS *(Continued)*

The comparison of the Group's financial results for the six months ended 30 June 2021 and 2020 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)	
	2021 HK\$'M	2020 HK\$'M	HK\$'M	%	2021 HK\$'M	2020 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	1,676.6	(181.7)	(11%)	277.5	390.4	(112.9)	(29%)
– Interest income	–	–	–	–	217.2	109.5	107.7	98%
<i>GP ratio</i>	1,494.9 18%	1,676.6 27%	(181.7)	(11%) (9%)	494.7	499.9	(5.2)	(1%)
Construction of BOT water projects								
– China	5,422.6	5,544.4	(121.8)	(2%)	734.7	1,047.3	(312.6)	(30%)
<i>GP ratio</i>	19%	25%		(6%)				
Subtotal	6,917.5	7,221.0	(303.5)	(4%)	1,229.4	1,547.2	(317.8)	(21%)
3. Technical services and sale of machineries for the water environmental renovation								
<i>GP ratio</i>	1,549.5 53%	1,280.0 59%	269.5	21% (6%)	445.0	404.1	40.9	10%
Business results	13,669.2	12,453.8	1,215.4	10%	4,002.5	3,825.7	176.8	5%
Others					(1,581.7)	(1,557.3)	(24.4)	2%
Total					2,420.8	2,268.4	152.4	7%

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*



Profit attributable to shareholders of the Company (Six months ended 30 June 2021)

- 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 2021, the Group entered into service concession arrangements and entrustment agreements for a total of 1,317 water plants and town-size sewage treatment facilities including 1,092 sewage treatment plants and town-size sewage treatment facilities, 174 water distribution plants, 49 reclaimed water treatment plants and 2 seawater desalination plants. Total daily design capacity for new projects secured for the period was 2,055,200 tons including Build-Operate-Transfer ("BOT") projects of 754,500 tons, Transfer-Operate-Transfer ("TOT") projects of 40,000 tons, Public-Private Partnership ("PPP") projects of 1,050,600 tons and entrustment operation projects of 210,100 tons.

Due to different reasons such as expiration of projects, the Group exited projects with aggregate daily design capacity of 748,605 tons during the period. As such, the net increase in daily design capacity of the period was 1,306,595 tons. As at 30 June 2021, total daily design capacity was 43,431,331 tons.

During the period, the Group entered into one service concession arrangement for town-size sewage treatment projects with aggregate daily capacity of 1,200 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	15,431,795	1,299,200	9,291,665	–	26,022,660
Not yet commenced operation/ Not yet transferred	9,622,628	1,699,000	4,166,471	50,000	15,538,099
Subtotal	25,054,423	2,998,200	13,458,136	50,000	41,560,759
Overseas					
In operation	229,358	267,350	1,073,864	300,000	1,870,572
Not yet commenced operation/ Not yet transferred	–	–	–	–	–
Subtotal	229,358	267,350	1,073,864	300,000	1,870,572
Total	25,283,781	3,265,550	14,532,000	350,000	43,431,331
<i>(Number of water plants and town-size sewage treatment facilities)</i>					
China					
In operation	781	21	114	–	916
Not yet commenced operation/ Not yet transferred	264	23	24	1	312
Subtotal	1,045	44	138	1	1,228
Overseas					
In operation	47	5	36	1	89
Not yet commenced operation/ Not yet transferred	–	–	–	–	–
Subtotal	47	5	36	1	89
Total	1,092	49	174	2	1,317

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

	Number of plants and town-size sewage treatment facilities	Design capacity <i>(Tons/Day)</i>	Actual processing volume during the period* <i>(Tons (M))</i>	Revenue <i>(HK\$'M)</i>	Profit attributable to shareholders of the Company <i>(HK\$'M)</i>
Sewage and reclaimed water treatment services:					
Mainland China:					
– Southern China	319	3,978,890	594.5	749.6	379.5
– Western China	248	2,200,470	322.7	721.7	342.3
– Shandong	42	2,139,000	297.2	520.4	279.5
– Eastern China	99	4,696,976	653.6	866.3	405.3
– Northern China	94	3,715,659	479.5	664.1	373.1
	802	16,730,995	2,347.5	3,522.1	1,779.7
Overseas	52	496,708	54.9	217.2	32.0
Subtotal	854	17,227,703	2,402.4	3,739.3	1,811.7
Water distribution services:					
Mainland China	114	9,291,665	965.7	1,186.3	441.0
Overseas ⁵	37	1,373,864	74.1	276.6	75.4
Subtotal	151	10,665,529	1,039.8	1,462.9	516.4
Total	1,005	27,893,232	3,442.2	5,202.2	2,328.1

* Excluded entrustment operation contracts

⁵ 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 2021, the Group had 781 sewage treatment plants and town-size sewage treatment facilities and 21 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 15,431,795 tons (31 December 2020: 14,197,237 tons) and 1,299,200 tons (31 December 2020: 1,179,200 tons), respectively. The average daily processing volume is 13,270,724 tons* and average daily treatment rate is 83%*. The actual average contracted tariff charge of water treatment was approximately RMB1.36 per ton (31 December 2020: RMB1.28 per ton) for water plants. The actual aggregate processing volume for the period was 2,347.5 million tons, of which 2,107.0 million tons was contributed by subsidiaries and 240.5 million tons was contributed by joint ventures and associates. Total revenue for the period was HK\$3,522.1 million. Net profit attributable to shareholders of the Company was HK\$1,779.7 million, of which HK\$1,622.7 million was contributed by subsidiaries and HK\$157.0 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 2021, there were 319 plants and town-size sewage treatment facilities with total daily design capacity of 3,978,890 tons, representing an increase of 278,400 tons or 8% as compared with last period. The actual aggregate processing volume for the period amounted to 594.5 million tons. The operating revenue and profit attributable to shareholders of the Company were HK\$749.6 million and HK\$379.5 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 2021, there were 248 sewage treatment plants and town-size sewage treatment facilities with total daily design capacity of 2,200,470 tons, representing an increase of 10,270 tons per day as compared with last year. The actual processing volume for the period was 322.7 million tons. The operating revenue of HK\$721.7 million was recorded during the period. Profit attributable to shareholders of the Company amounted to HK\$342.3 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 42 plants and town-size sewage treatment facilities in Shandong region. The total daily design capacity of Shandong region is 2,139,000 tons, representing an increase of 260,000 tons per day or 14% as compared with last year. The actual processing volume for the period was 297.2 million tons contributing operating revenue of HK\$520.4 million during the period. Profit attributable to shareholders of the Company was HK\$279.5 million.

Eastern China

There were 99 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 2021, the total daily design capacity of Eastern China had increased by 192,776 tons to 4,696,976 tons or 4% as compared with last year. The actual processing volume for the period amounted to 653.6 million tons and operating revenue was HK\$866.3 million during the period. Profit attributable to shareholders of the Company was HK\$405.3 million.

Northern China

Currently, the Group has 94 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 613,112 tons to 3,715,659 tons or 20% as compared with last year. The projects achieved actual processing volume of 479.5 million tons for the period. The operating revenue was HK\$664.1 million during the period. Profit attributable to shareholders of the Company was HK\$373.1 million.

2.1.1b Overseas:

As at 30 June 2021, the Group had 47 sewage treatment plants and 5 reclaimed water plants in Portugal, Singapore, Australia and New Zealand. Total daily design capacity in operation was 496,708 tons. The actual processing volume for the period is 54.9 million tons. Total revenue for the period was HK\$217.2 million. Profit attributable to shareholders of the Company was HK\$32.0 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 2021, the Group had 114 water distribution plants in operation. Total daily design capacity in operation was 9,291,665 tons (31 December 2020: 9,276,194 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 RMB2.05 per ton (31 December 2020: RMB2.04 per ton). The aggregate actual processing volume is 965.7 million tons, of which 529.6 million tons was contributed by subsidiaries, which recorded revenue of HK\$1,186.3 million and 436.1 million tons was contributed by joint ventures. Profit attributable to shareholders of the Company was HK\$441.0 million, of which profit of HK\$400.5 million was contributed by subsidiaries and a profit of HK\$40.5 million in aggregate was contributed by joint ventures.

2.1.2b Overseas:

As at 30 June 2021, the Group had 36 water distribution plants and a sea desalination plant which supplies drinking water in Portugal and Australia. Total daily design capacity in operation was 1,373,864 tons. The actual processing volume for the period is 74.1 million tons of which 40.6 million tons was contributed by subsidiaries and 33.5 million tons was contributed by joint ventures. Total revenue for the period was HK\$276.6 million. Profit attributable to shareholders of the Company was HK\$75.4 million.

2.2 Construction services for the water environmental renovation

2.2.1 Construction services for comprehensive renovation projects

The Group had 23 comprehensive renovation projects under construction during the period. The projects mainly located in Sichuan Luzhou, Chengdu Jianyang, Inner Mongolia, Sichuan Panzhihua and Hebei Hengshui. Last period, the Group had 26 comprehensive renovation projects under construction in Zhejiang Hangzhou, Chengdu Jianyang, Inner Mongolia, Sichuan Panzhihua and Hebei Hengshui.

Revenue from comprehensive renovation projects decreased by HK\$181.7 million from last period of HK\$1,676.6 million to HK\$1,494.9 million this period. To align with the Group's asset-light strategy, the investment approach on the comprehensive renovation projects is more conservative. As such, there was decrease in construction revenue during this period.

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)*

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\$217.2 million for this period (six months ended 30 June 2020: HK\$109.5 million).

Profit attributable to shareholders of the Company for the comprehensive renovation projects decreased by HK\$5.2 million from last period of HK\$499.9 million to HK\$494.7 million this period.

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, Zhejiang, Hunan, Sichuan and Jiangsu provinces. Total revenue for construction of BOT water projects was HK\$5,422.6 million (six months ended 30 June 2020: HK\$5,544.4 million) and profit attributable to shareholders of the Company was HK\$734.7 million (six months ended 30 June 2020: HK\$1,047.3 million). Decrease in profit attributable to shareholders of the Company was mainly due to decrease in gross margin of BOT water projects 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.

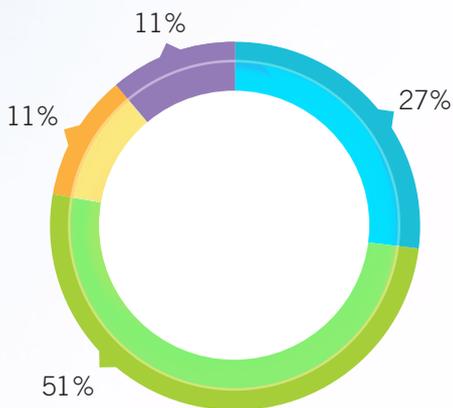
Revenue from the provision of technical services and sales of machineries was HK\$1,549.5 million (six months ended 30 June 2020: HK\$1,280.0 million), representing 11% of the Group's total revenue. Profit attributable to shareholders of the Company was HK\$445.0 million (six months ended 30 June 2020: HK\$404.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS

3.1 Revenue

During the period, the Group recorded revenue of HK\$13,669.2 million (six months ended 30 June 2020: HK\$12,453.8 million). The increase was mainly due to the increase in revenue from water treatment services.



Revenue
(Six months ended 30 June 2021)

- 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\$8,626.6 million, compared to last period of HK\$7,678.8 million. The increase was mainly due to the increase in operating costs of water plants amounted to HK\$522.2 million and cost of construction services ended of HK\$230.9 million. Cost of sales mainly included construction costs of HK\$5,602.0 million and operating costs of water plants of HK\$2,301.0 million. The construction costs mainly consisted of subcontracting charges. The operating costs of water plants, mainly included electricity charges of HK\$494.3 million, staff costs of HK\$693.0 million and major overhaul charges of HK\$85.3 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.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.3 Gross profit margin

During the period, gross profit margin slightly decreased from last period of 38% to 37%.

Gross margin for sewage and reclaimed water treatment services:

Gross margin for sewage and reclaimed water treatment services in Mainland China was slightly increased to 61% (last period: 60%). Gross margin for sewage and reclaimed water treatment services in Overseas was 24% (last period: 24%).

Gross margin for water distribution services:

Gross margin for water distribution services in Mainland China was 50% (last period: 51%). Gross margin for water distribution services in Overseas was 34% (last period: 35%).

Gross margin for construction services for comprehensive renovation projects:

Gross margin for construction services for comprehensive renovation projects was 18% (last period: 27%). Gross margin decreased as the major comprehensive renovation projects for this period have a relatively lower average gross margin.

Gross margin for construction of BOT water projects:

Gross margin for construction of BOT water projects was 19% (last period: 25%). Gross margin decreased as the prevailing market rate of gross margin decreased. As such, new BOT water projects have a relatively lower gross margin.

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 53% (last period: 59%). 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\$627.1 million during the period, compared to last period of HK\$529.0 million. The amount for this period mainly included sludge treatment income of HK\$65.9 million, pipeline installation income of HK\$180.5 million, government grant and subsidies of HK\$49.5 million and VAT refunds of HK\$120.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.5 Administrative expenses

Administrative expenses for the period increased to HK\$1,220.4 million, compared to last period of HK\$968.3 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.

3.6 Other operating expenses, net

Other operating expenses for the period decreased to HK\$306.9 million, compared to last period of HK\$370.7 million. The decrease was mainly due to decrease in impairment losses recognised in current period.

3.7 Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK\$958.5 million (six months ended 30 June 2020: HK\$1,099.1 million) and interests on corporate bonds and notes payable of HK\$503.0 million (six months ended 30 June 2020: HK\$501.5 million).

3.8 Share of profits of joint ventures

Share of profits of joint ventures decreased to HK\$258.3 million, compared to last period of HK\$339.0 million. The decrease was mainly due to decrease in share of profits of the joint ventures which engaged in construction services for the comprehensive renovation projects.

3.9 Income tax expense

Income tax expense for the period included the current PRC income tax of HK\$334.1 million. The effective tax rate for the PRC operation was about 16% 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\$330.8 million.

3.10 Profit attributable to holders of perpetual capital instruments

Amount represented the coupon payments of perpetual bonds with an aggregate principal amount of RMB5,600 million which were issued in Year 2016.

3.11 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.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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

The Group's total amounts due from contract customers, receivable under service concession arrangements and trade receivables of HK\$117,948.2 million (31 December 2020: HK\$112,467.8 million) included:

By accounting nature:

	30 June 2021			31 December 2020		
	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	45,885.6	2,909.8	48,795.4	42,314.2	3,091.7	45,405.9
(ii) Receivables under service concession arrangements	43,425.9	4,753.5	48,179.4	41,698.3	4,131.4	45,829.7
(iii) Trade receivables	12,614.2	8,359.2	20,973.4	12,277.1	8,955.1	21,232.2
Total	101,925.7	16,022.5	117,948.2	96,289.6	16,178.2	112,467.8

(i) Amounts due from contract customers of HK\$48,795.4 million represent the balances of accumulated construction costs incurred to date plus recognised accumulated gross profits exceeding progress billings arising from BOT projects and comprehensive renovation projects during the phase of construction. Total balance increased by HK\$3,389.5 million (non-current portion increased by HK\$3,571.4 million and current portion decreased by HK\$181.9 million), which was mainly due to the recognition of construction revenue;

(ii) Receivables under service concession arrangements of HK\$48,179.4 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\$2,349.7 million (non-current portion increased by HK\$1,727.6 million and current portion increased by HK\$622.1 million) was mainly due to reclassification from amounts due from contract customers as a result of operation commencement of certain BOT projects; and

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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

By accounting nature: *(Continued)*

- (iii) Trade receivables of HK\$20,973.4 million mainly arose from the provision of construction services for comprehensive renovation projects, technical and consultancy services and sewage treatment equipment trading. The balance decreased by HK\$258.8 million (non-current portion increased by HK\$337.1 million and current portion decreased by HK\$595.9 million).

By business nature:

	30 June 2021 HK\$'M	31 December 2020 HK\$'M
Water treatment services by BOT and TOT projects	81,926.6	76,823.7
Construction services of comprehensive renovation projects	31,554.7	31,486.2
Technical and consultancy services and other businesses	4,466.9	4,157.9
Total	117,948.2	112,467.8

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\$81,926.6 million (31 December 2020: HK\$76,823.7 million). Total receivables for the construction service of comprehensive renovation projects were HK\$31,554.7 million (31 December 2020: HK\$31,486.2 million). Total receivables for technical and consultancy services and other businesses were HK\$4,466.9 million (31 December 2020: HK\$4,157.9 million).

3.13 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 reclassification from amounts due from contract customers as a result of operation commencement of certain BOT projects.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.14 Investments in joint ventures

Investments in joint ventures increased by HK\$355.4 million, mainly due to share of profits during the period.

3.15 Investments in associates

Investments in associates decreased by HK\$22.1 million, mainly due to the decrease in capital reserve of associates during the period.

3.16 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables increased by HK\$896.9 million (non-current portion decreased by HK\$71.1 million and current portion increased by HK\$968.0 million), mainly due to the increase in advances to subcontractors and suppliers for construction projects and amount due from joint ventures.

3.17 Other payables and accruals

Other payables and accruals decreased by HK\$660.3 million. The decrease was mainly due to the decrease in accruals during the period.

3.18 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 RMB1,000,000,000 for the purposes of project construction and general working capital for its subsidiaries. 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.

3.19 Non-controlling interests

Non-controlling interests increased by HK\$3,238.6 million. Increase was mainly due to capital contributions of RMB2,000 million into a subsidiary from Hangzhou Xiaoshan Ping An Cornerstone II Equity Investment Co., Ltd.[#] (杭州蕭山平安基石貳號股權投資有限公司).

3.20 Bank and other borrowings

Bank and other borrowings increased by HK\$4,089.1 million. Increase in bank and other borrowings was mainly from new bank loans utilised to finance for the acquisition and construction of various water projects in the PRC during the period.

3.21 Corporate bonds

Corporate bonds decreased by HK\$560.0 million mainly due to the issuance of a new corporate bond with principal amount of RMB1,500 million while corporate bonds with principal amount of RMB2,123 million were repaid during the period.

[#] for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.22 Trade payables

The decrease in trade payables by HK\$53.0 million was mainly due to decrease in trade payables to subcontractors for construction services of the water environmental renovation projects during the period.

3.23 Deferred Income

Deferred income mainly represents the recognition of deferred sewage water treatment income in relation to the issuance of an asset-backed note.

3.24 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 2021, the Group's cash and cash equivalents amounted to HK\$14,941.3 million (31 December 2020: HK\$14,697.2 million).

The Group's total borrowings amounted to HK\$75,811.2 million (31 December 2020: HK\$72,286.3 million) comprised bank and other borrowings of HK\$53,722.8 million (31 December 2020: HK\$49,633.7 million), finance lease payables* of HK\$231.3 million (31 December 2020: HK\$264.7 million), notes payable of HK\$2,408.9 million (31 December 2020: HK\$2,379.7 million) and corporate bonds of HK\$19,448.2 million (31 December 2020: HK\$20,008.2 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 2021, the Group had banking facilities amounting to HK\$56.6 billion, of which HK\$33.2 billion have not been utilised. The banking facilities are of 1 to 10 years term.

The Group's total equity amounted to HK\$61,949.5 million (31 December 2020: HK\$57,124.0 million).

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 0.98 as at 30 June 2021 (31 December 2020: 1.01). The decrease in the gearing ratio as at 30 June 2021 was mainly due to the increase in total equity as a result of capital contributions into a subsidiary from Hangzhou Xiaoshan Ping An Cornerstone II Equity Investment Co., Ltd.# (杭州蕭山平安基石貳號股權投資有限公司).

* The balance as at 30 June 2021 and 31 December 2020 was included in lease liabilities.

for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.25 Capital expenditures

During the period, the Group's total capital expenditures were HK\$6,086.8 million (six months ended 30 June 2020: HK\$5,798.8 million), of which HK\$639.6 million was paid for the acquisition of property, plant and equipment, right-of-use assets and intangible assets; HK\$5,259.7 million represented the construction and acquisition of water plants; and HK\$187.5 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 2021, the Group employed 20,440 employees. Total staff cost for the six months ended 30 June 2021 was HK\$1,732,102,000 (six months ended 30 June 2020: HK\$1,474,835,000). 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. 2,200,000 share options were exercised and no share option was lapsed or cancelled during the six months ended 30 June 2021. As at 30 June 2021, the Company had 252,526,000 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 2.54% of the Company's ordinary shares in issue as at 30 June 2021. On 26 September 2019, the Company had granted 15,374,599 awarded shares pursuant to the share award scheme. All the awarded shares were vested or lapsed during the year ended 31 December 2020. As at 30 June 2021, no awarded shares to be vested were outstanding.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the six months ended 30 June 2021, the Group had no significant investments and acquisitions of subsidiaries and affiliated companies.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021 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 2021, 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 2021

		For the six months ended 30 June	
	Notes	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
REVENUE	3	13,669,172	12,453,831
Cost of sales		(8,626,580)	(7,678,767)
Gross profit		5,042,592	4,775,064
Interest income		554,488	279,599
Other income and gains, net		627,114	529,028
Administrative expenses		(1,220,422)	(968,314)
Other operating expenses, net		(306,934)	(370,681)
PROFIT FROM OPERATING ACTIVITIES	4	4,696,838	4,244,696
Finance costs	5	(1,356,578)	(1,301,614)
Share of profits and losses of:			
Joint ventures		258,253	339,014
Associates		164,138	199,235
PROFIT BEFORE TAX		3,762,651	3,481,331
Income tax expense	6	(676,297)	(709,680)
PROFIT FOR THE PERIOD		3,086,354	2,771,651
ATTRIBUTABLE TO:			
Shareholders of the Company		2,420,811	2,268,438
Holders of perpetual capital instruments		125,865	114,800
Non-controlling interests		539,678	388,413
		3,086,354	2,771,651
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
– Basic		HK24.01 cents	HK22.64 cents
– Diluted		HK23.83 cents	HK22.40 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 2021

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	3,086,354	2,771,651
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	735,961	(1,246,579)
– Release upon disposal of subsidiaries	–	3,298
– Release upon deemed disposal of partial interest in associates	–	(3,552)
	735,961	(1,246,833)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
– Share of other comprehensive income/(loss) of a joint venture	1,099	(1,850)
– Changes in fair value of equity investments designated at fair value through other comprehensive income	14,431	(66,284)
	15,530	(68,134)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	751,491	(1,314,967)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,837,845	1,456,684
ATTRIBUTABLE TO:		
Shareholders of the Company	2,933,526	1,329,543
Holders of perpetual capital instruments	205,661	(22,585)
Non-controlling interests	698,658	149,726
	3,837,845	1,456,684

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	9	4,846,070	4,700,229
Right-of-use assets		1,029,021	787,019
Investment properties		865,906	855,598
Goodwill		4,198,541	4,183,392
Operating concessions		6,251,666	5,556,365
Other intangible assets		391,394	358,928
Investments in joint ventures		10,324,357	9,968,952
Investments in associates		6,339,417	6,361,473
Equity investments designated at fair value through other comprehensive income		1,379,542	1,410,899
Financial assets at fair value through profit or loss		51,639	68,036
Amounts due from contract customers		45,885,600	42,314,218
Receivables under service concession arrangements	10	43,425,936	41,698,277
Trade receivables	11	12,614,196	12,277,112
Prepayments, deposits and other receivables	12	2,077,855	2,148,932
Deferred tax assets		361,395	264,250
Total non-current assets		140,042,535	132,953,680
Current assets:			
Inventories		264,768	230,871
Amounts due from contract customers		2,909,793	3,091,651
Receivables under service concession arrangements	10	4,753,541	4,131,424
Trade receivables	11	8,359,178	8,955,073
Prepayments, deposits and other receivables	12	10,717,695	9,749,686
Restricted cash and pledged deposits		564,871	591,542
Cash and cash equivalents		14,941,347	14,697,194
Total current assets		42,511,193	41,447,441
TOTAL ASSETS		182,553,728	174,401,121

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital	13	1,002,380	1,002,160
Perpetual capital instrument		1,201,922	1,187,358
Reserves		36,646,563	35,154,294
		38,850,865	37,343,812
Perpetual capital instruments		6,702,878	6,623,082
Non-controlling interests		16,395,730	13,157,111
		23,098,608	19,780,193
TOTAL EQUITY		61,949,473	57,124,005
Non-current liabilities:			
Other payables and accruals	14	1,293,112	1,325,842
Bank and other borrowings		47,657,016	42,808,986
Corporate bonds		14,425,006	12,517,494
Notes payable		2,408,900	2,379,704
Lease liabilities		276,808	300,144
Provision for major overhauls		295,307	230,496
Deferred income		1,734,164	1,696,195
Deferred tax liabilities		4,567,786	4,096,254
Total non-current liabilities		72,658,099	65,355,115
Current liabilities:			
Trade payables	15	26,368,709	26,421,706
Other payables and accruals	14	9,012,042	9,639,580
Income tax payables		1,387,736	1,436,514
Bank and other borrowings		6,065,748	6,824,691
Corporate bonds		5,023,211	7,490,730
Lease liabilities		88,710	108,780
Total current liabilities		47,946,156	51,922,001
TOTAL LIABILITIES		120,604,255	117,277,116
TOTAL EQUITY AND LIABILITIES		182,553,728	174,401,121

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to shareholders of the Company															Total equity (Unaudited) HK\$'000	
	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	Perpetual capital instruments Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000		
At 1 January 2021	1,002,160	2,538,372	4,887,425	(121,268)	247,123	(275,383)	122,482	(24,693)	(56,414)	(290,824)	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	125,865	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	735,561
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	2,933,526	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)	-	-	-	-	-	-	-	(309,856)	-	-	(309,856)
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)	(125,865)	-	(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

* These reserve accounts comprise the consolidated reserves of HK\$36,646,563,000 (unaudited) (31 December 2020: HK\$35,154,294,000) in the condensed consolidated statement of financial position as at 30 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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 2020	1,002,120	2,537,183	6,510,858	(110,014)	276,299	115,491	122,482	89,836	(58,464)	(3,873,027)	2,126,163	21,809,523	-	30,548,450	6,250,999	9,731,727	46,531,176
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	2,262,600	5,638	2,268,438	114,800	388,413	2,771,651
Other comprehensive income/(loss) for the period:																	
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	-	(870,507)	-	-	-	(870,507)	(137,385)	(238,687)	(1,246,579)
Release upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	3,298	-	-	-	3,298	-	-	3,298
Release upon deemed disposal partial interest in associates	-	-	-	-	-	-	-	-	-	(3,552)	-	-	-	(3,552)	-	-	(3,552)
Share of other comprehensive loss of a joint venture	-	-	-	-	-	-	-	-	(1,850)	-	-	-	-	(1,850)	-	-	(1,850)
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	(66,284)	-	-	-	-	-	(66,284)	-	-	(66,284)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	(66,284)	(1,850)	(870,761)	-	2,262,600	5,638	1,329,543	(22,565)	149,726	1,456,684
Issuance of a perpetual capital instrument	-	-	-	-	-	-	-	-	-	-	-	-	1,098,172	1,098,172	-	-	1,098,172
Equity-settled share award arrangements	-	-	-	-	27,244	-	-	-	-	-	-	-	-	27,244	-	-	27,244
Shares purchased for share award scheme	-	-	-	(8,832)	-	-	-	-	-	-	-	-	-	(8,832)	-	-	(8,832)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,709	16,709
Acquisition of non-controlling interests	-	-	-	-	-	43,894	-	-	-	-	-	-	-	43,894	-	(126,114)	(82,220)
Share of reserves of associates	-	-	-	-	11,907	15,846	-	-	-	-	-	-	-	27,753	-	-	27,753
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(471,100)	(471,100)
Dividends distributed to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(121,048)	(121,048)
Capital contributions from non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	294,788	294,788
Distributions declared to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	(5,838)	(5,838)	(114,800)	-	(120,638)
Final 2019 cash distributions paid	-	-	(781,653)	-	-	-	-	-	-	-	-	-	-	(781,653)	-	-	(781,653)
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	147,837	(147,837)	-	-	-	-	-
At 30 June 2020	1,002,120	2,537,183	5,729,205	(118,846)	315,450	175,231	122,482	23,552	(60,314)	(4,743,788)	2,274,000	23,924,286	1,098,172	32,278,733	6,113,614	9,474,688	47,867,035

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(914,279)	(3,876,713)
Hong Kong profits tax paid	(3,253)	(11,061)
Mainland China corporate income tax paid	(406,579)	(312,428)
Overseas taxes paid	(5,787)	(1,503)
Net cash flows used in operating activities	(1,329,898)	(4,201,705)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(315,389)	(92,877)
Deposit paid for an acquisition of land use rights	–	(252,500)
Additions of operating concession	(755,281)	(295,493)
Acquisition of subsidiaries	–	(12,620)
Payment for acquisition of a subsidiary in prior periods	–	(41,099)
Purchases of equity investments designated at fair value through other comprehensive income	(2,181)	(110,440)
Acquisition of/increase in investments in joint ventures	(157,488)	(177,074)
An advance to a joint venture partner	–	(125,522)
Decrease in time deposits with maturity of more than three months when acquired	44,966	65,983
Decrease/(increase) in restricted cash and pledged deposits	26,671	(168,005)
Bank interest received	160,587	117,648
Other investing cash flows, net	(127,241)	(58,955)
Net cash flows used in investing activities	(1,125,356)	(1,150,954)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions from non-controlling equity holders	2,474,219	294,788
Issue of corporate bonds	1,807,229	2,222,222
Issue of a perpetual capital instrument	–	1,098,172
Repayment of corporate bonds	(2,551,808)	–
Repayment of a note payable	–	(700,000)
New bank and other borrowings	8,522,572	7,816,153
Repayment of bank and other borrowings	(4,736,646)	(4,242,608)
Proceeds from exercise of share options	4,937	–
Shares purchased for share award scheme	(36,848)	(8,832)
Principal portion of lease payments	(50,275)	(51,412)
Interest paid	(1,436,042)	(1,266,542)
Distributions paid	(781,856)	(781,653)
Dividends paid to non-controlling equity holders	(213,196)	(44,739)
Other financing cash flows, net	(156,514)	(11,708)
Net cash flows from financing activities	2,845,772	4,323,841
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	14,651,987	12,093,074
Effect of foreign exchange rate changes, net	(101,399)	(260,038)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14,941,106	10,804,218
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	14,941,347	10,805,076
Less: Time deposits with maturity of more than three months when acquired	(241)	(858)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	14,941,106	10,804,218

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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 2021, 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, New Zealand and the Republic of Botswana;
- provision of sewage and reclaimed water treatment services in Mainland China, the Republic of Singapore (“Singapore”), and 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 2021 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 2020. 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 2020, 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 2021

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 2020, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

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

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and various Interbank Offered Rates as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective and shall be applied retrospectively for annual periods beginning on or after 1 April 2021 with earlier application permitted. The Group early adopted the amendment from the accounting period beginning on 1 January 2021 and the amendment did not have any impact on the financial position and performance of the Group as the Group did not get any rent concessions as a result of the covid-19 pandemic.

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, gains on deemed disposal of associates, 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 2021

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 2021

2. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2020

	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>	9,972,371	1,201,413	1,280,047	12,453,831
Cost of sales	(6,524,374)	(625,601)	(528,792)	(7,678,767)
Gross profit	3,447,997	575,812	751,255	4,775,064
Segment results:				
The Group	3,514,846	562,191	468,517	4,545,554
Share of profits and losses of:				
Joint ventures	276,673	62,341	–	339,014
Associates	17,745	–	2,422	20,167
	3,809,264	624,532	470,939	4,904,735
Corporate and other unallocated income and expenses, net				(300,858)
Share of profits of joint ventures and associates				179,068
Finance costs				(1,301,614)
Profit before tax				3,481,331
Income tax expense				(709,680)
Profit for the period				2,771,651
Profit for the period attributable to shareholders of the Company:				
Operating segments	2,960,101	461,565	404,064	3,825,730
Corporate and other unallocated items				(1,557,292)
				2,268,438

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

2. OPERATING SEGMENT INFORMATION *(Continued)*

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

30 June 2021

	Sewage and reclaimed water treatment and construction services (Unaudited) <i>HK\$'000</i>	Water distribution services (Unaudited) <i>HK\$'000</i>	Technical and consultancy services and sales of machineries (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment assets:				
Operating segments	123,655,087	25,053,300	12,320,013	161,028,400
Corporate and other unallocated items				21,525,328
				182,553,728

31 December 2020

	Sewage and reclaimed water treatment and construction services (Audited) <i>HK\$'000</i>	Water distribution services (Audited) <i>HK\$'000</i>	Technical and consultancy services and sales of machineries (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
Segment assets:				
Operating segments	119,283,805	22,769,215	10,618,722	152,671,742
Corporate and other unallocated items				21,729,379
				174,401,121

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

2. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue from external customers:		
Mainland China	12,964,418	11,804,357
Elsewhere	704,754	649,474
	13,669,172	12,453,831

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 2021 and 2020, the Group had no transaction with any single external customer which contributed over 10% of the Group's total revenue for the period.

3. REVENUE

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

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue from contracts with customers		
Sewage and reclaimed water treatment services	3,739,315	2,751,402
Construction services	6,917,507	7,220,969
Water distribution services	1,462,862	1,201,413
Technical and consultancy services and sales of machineries	1,549,488	1,280,047
	13,669,172	12,453,831

Imputed interest income under service concession arrangements amounting to HK\$1,244,435,000 (six months ended 30 June 2020: HK\$1,231,989,000) is included in the above revenue.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of sewage and reclaimed water treatment services rendered	1,426,488	1,088,715
Cost of construction services	5,601,996	5,371,090
Cost of water distribution services	747,633	565,778
Cost of technical and consultancy services rendered and machineries sold	723,539	528,792
Depreciation of property, plant and equipment	156,906	139,060
Depreciation of right-of-use assets	39,390	26,824
Amortisation of operating concessions*	126,924	124,392
Amortisation of other intangible assets*	22,242	14,197

* The amortisation of operating concessions and other intangible assets for the period is 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 2021

5. FINANCE COSTS

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest on bank and other loans	958,518	1,099,122
Interest on corporate bonds	429,539	423,236
Interest on notes payable	73,487	78,244
Interest on lease liabilities	6,739	11,708
Total interest expense	1,468,283	1,612,310
Increase in discounted amounts of provision for major overhauls arising from the passage of time	16,782	11,961
Total finance costs	1,485,065	1,624,271
Less: Interest included in cost of construction services	(128,487)	(322,657)
	1,356,578	1,301,614

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 2021 (six months ended 30 June 2020: 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, by reasons that (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 2021

6. INCOME TAX EXPENSE *(Continued)*

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current – Hong Kong	4,016	8,659
Current – Mainland China	334,115	263,182
Current – Elsewhere	7,391	1,792
Underprovision in prior periods	11	–
Deferred	330,764	436,047
Total tax expense for the period	676,297	709,680

7. INTERIM DIVIDEND

On 30 August 2021, the Board declared an interim cash dividend of HK9.0 cents per share (six months ended 30 June 2020: HK8.4 cents) totalling approximately HK\$902,142,000 (six months ended 30 June 2020: HK\$841,780,000).

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 instrument, for the six months ended 30 June 2021, and the weighted average number of 10,021,778,191 (six months ended 30 June 2020: 10,021,195,871) ordinary shares in issue less the weighted average number of 38,619,378 (six months ended 30 June 2020: 26,028,802) 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 2021

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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to shareholders of the Company	2,420,811	2,268,438
Distribution related to the perpetual capital instrument	(23,910)	(5,838)
Profit used in the basic earnings per share calculation	2,396,901	2,262,600
Effect of dilution on earnings in respect of share options of an associate	(1,425)	(1,645)
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	2,395,476	2,260,955

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(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	9,983,158,813	9,995,167,069
Effect of dilution on weighted average number of ordinary shares		
– Share options which have dilutive effect	69,457,807	82,681,157
– Share awards which have dilutive effect	–	15,334,543
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	10,052,616,620	10,093,182,769

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's additions of property, plant and equipment amounted to HK\$315,389,000 (six months ended 30 June 2020: HK\$270,054,000). There were disposals of property, plant and equipment with an aggregate carrying amount of HK\$381,000 (six months ended 30 June 2020: HK\$17,367,000) during the six months ended 30 June 2021.

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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Billed:		
Within 3 months	2,397,334	1,813,299
4 to 6 months	927,840	962,064
7 to 12 months	813,703	584,949
Over 1 year	614,664	771,112
	4,753,541	4,131,424
Unbilled:		
Non-current portion*	43,425,936	41,698,277
Total	48,179,477	45,829,701

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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 sales 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, which 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 2020: 4.8% to 15.0%), 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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Billed:		
Within 3 months	4,836,554	4,782,471
4 to 6 months	837,398	787,440
7 to 12 months	595,638	526,606
Over 1 year	2,089,588	2,858,556
Balance with extended credit period	42,726	55,757
	8,401,904	9,010,830
Unbilled*	12,571,470	12,221,355
	20,973,374	21,232,185
Portion classified as current assets	(8,359,178)	(8,955,073)
	12,614,196	12,277,112

* 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 2021

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Prepayments	467,791	453,900
Deposits and other debtors	5,480,882	5,924,010
Advances to subcontractors and suppliers	5,727,525	4,981,623
Due from joint ventures	887,597	657,200
Due from associates	18,634	78,907
Due from non-controlling equity holders	238,170	247,378
Due from other related parties	280,591	318,548
	13,101,190	12,661,566
Impairment	(305,640)	(762,948)
	12,795,550	11,898,618
Portion classified as current assets	(10,717,695)	(9,749,686)
	2,077,855	2,148,932

13. SHARE CAPITAL

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
<i>Issued and fully paid:</i>		
10,023,795,871 (31 December 2020: 10,021,595,871) ordinary shares of HK\$0.10 each	1,002,380	1,002,160

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

13. SHARE CAPITAL *(Continued)*

A summary of the movements in the Company's issued share capital during the six months ended 30 June 2021 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 2021	10,021,595,871	1,002,160	2,538,372	3,540,532
Exercise of share options <i>(note)</i>	2,200,000	220	6,631	6,851
At 30 June 2021	10,023,795,871	1,002,380	2,545,003	3,547,383

Note: During the period, the subscription rights attaching to 2,200,000 share options were exercised at a subscription price of HK\$2.244 per ordinary share, resulting in the issue 2,200,000 ordinary shares of the Company for a total cash consideration of approximately HK\$4,937,000 (before expenses). At the time when the share options were exercised, the aggregate fair value of these share options of HK\$1,914,000 previously recognised in the share option reserve was transferred to the share premium account.

14. OTHER PAYABLES AND ACCRUALS

	30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
Accruals	956,867	1,492,655
Other liabilities	3,836,182	4,114,104
Contract liabilities	1,266,187	1,341,315
Due to subcontractors	734,986	918,710
Due to joint ventures	2,498,576	2,124,076
Due to associates	34,807	60,738
Due to non-controlling equity holders	–	5,832
Due to related parties	240,269	316,916
Other taxes payables	737,280	591,076
	10,305,154	10,965,422
Portion classified as current liabilities	(9,012,042)	(9,639,580)
Non-current portion	1,293,112	1,325,842

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 3 months	9,867,843	12,337,507
4 to 6 months	4,454,353	2,626,275
7 months to 1 year	2,482,337	3,111,790
1 to 2 years	2,922,660	4,408,766
2 to 3 years	3,263,387	1,917,398
Over 3 years	3,244,469	1,891,898
Balance with extended credit period	133,660	128,072
	26,368,709	26,421,706

The trade payables are non-interest-bearing and apart from certain trade payables relating to construction services for comprehensive renovation projects which are due for payments upon settlements of progress billings by the relevant contract customers, the other amounts are normally settled on 60-day terms.

16. CONTINGENT LIABILITIES

As at 30 June 2021, bank guarantees in favour of employers in lieu of deposits for project bidding and project performance of HK\$925,100,000 (31 December 2020: HK\$1,145,819,000) were outstanding and corporate guarantees of HK\$3,817,139,000 (31 December 2020: HK\$3,992,594,000) were given to banks and/or institutional investors in connection with facilities granted to certain associates, joint ventures and independent third parties and bonds issued by joint ventures.

Save as disclosed above, at 30 June 2021, the Group did not have any significant contingent liabilities.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

17. 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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within one year	15,313	23,470
In the second to fifth years, inclusive	3,959	4,333
	19,272	27,803

18. CAPITAL COMMITMENTS

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Contracted, but not provided for		
New service concession arrangements on:		
Transfer-Operate-Transfer basis	320,526	681,775
Build-Operate-Transfer basis	7,448,243	9,044,515
Build-Own-Operate basis	13,283	38,467
Capital contribution to joint ventures	11,376,299	11,306,099
	19,158,351	21,070,856

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

18. CAPITAL COMMITMENTS *(Continued)*

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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Contracted, but not provided for	1,723,396	1,690,600

Save as disclosed above, at 30 June 2021, the Group did not have any significant commitments.

19. RELATED PARTY DISCLOSURES

- (a) The Group had the following material transactions during the six months ended 30 June 2021 and outstanding balances with related parties as at 30 June 2021:
- (i) Included in the amounts due from joint ventures of the Group as at 30 June 2021 was an advance to a joint venture of US\$26,390,000 (equivalent to HK\$204,839,000) (31 December 2020: US\$26,390,000 (equivalent to HK\$204,523,000)). The amount is unsecured, bearing floating interest at the London Interbank Offered Rate plus 2.8% per annum, and repayable on demand. Interest income of HK\$3,081,000 (six months ended 30 June 2020: HK\$4,622,000) was recognised in profit or loss during the six months ended 30 June 2021.
 - (ii) Included in the trade receivables of the Group as at 30 June 2021 was an aggregate amount of HK\$2,919,000 (31 December 2020: HK\$2,848,000) due from 北京北控環保工程技術有限公司, a wholly-owned subsidiary of Beijing Enterprises Holdings Limited ("BEHL"), which is a substantial beneficial shareholder of the Company, arising from the sewage treatment equipment trading carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.
 - (iii) Included in the deposits and other debtors of the Group as at 30 June 2021 was a loan amount of HK\$211,706,000 (31 December 2020: HK\$229,037,000) provided to a former joint venture partner, for capital injection of the joint venture which was disposed of by the Group in prior periods. The balance is secured, bears interest at 12% per annum and is repayable on demand and is classified as a non-current asset.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

19. RELATED PARTY DISCLOSURES *(Continued)*

- (a) The Group had the following material transactions during the six months ended 30 June 2021 and outstanding balances with related parties as at 30 June 2021: *(Continued)*
- (iv) Included in the trade payables of the Group as at 30 June 2021 was an amount of HK\$3,393,000 (31 December 2020: 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 2021 and 2020.
 - (v) A loan and related interest receivables of total RMB54,138,000 (equivalent to HK\$65,227,000) (31 December 2020: RMB54,138,000 (equivalent to HK\$64,451,000)) were provided to a non-controlling equity holder of a subsidiary. The balance is unsecured, bears interest of the benchmark interest rate for 3 to 5-year RMB loans published by the People's Bank of China rose up by 25% per annum and is repayable on demand and is classified as a current asset.
 - (vi) Included in the amounts due to related parties of the Group as at 30 June 2021 was advances from a related party in an aggregate amount of SGD13,255,000 (equivalent to HK\$76,481,000) (31 December 2020: SGD12,715,000 (equivalent to HK\$74,583,000)). 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\$918,000 (six months ended 30 June 2020: HK\$879,000) was recognised in profit or loss during the six months ended 30 June 2021.
 - (vii) During the six months ended 30 June 2021, the Group had leased certain office premises to associates of the Group for RMB2,308,000 (equivalent to HK\$2,781,000) (six months ended 30 June 2020: RMB3,577,000 (equivalent to HK\$3,974,000)) and the fees were charged based on terms mutually agreed between the Group and the associates.
 - (viii) During the six months ended 30 June 2021, the Group had provided construction services for a comprehensive renovation project located in Fuzhou City in the PRC to a joint venture of the Group for RMB18,214,000 (equivalent to HK\$21,945,000) and the fees were charged based on terms mutually agreed between the Group and the joint venture.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

19. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following material transactions during the six months ended 30 June 2021 and outstanding balances with related parties as at 30 June 2021: *(Continued)*

- (ix) On 30 October 2017, the Company and Beijing Enterprises Group Finance Co. Ltd. (“BG Finance”) entered into a 2018 deposit services master agreement (the “2018 Deposit Agreement”) whereby the Company and BG Finance continue to carry out the transactions of a similar nature from time to time under the 2018 Deposit Agreement for three years from 1 January 2018 to 31 December 2020, with the terms and conditions substantially the same as those under the deposit services master agreement and its supplemental agreement signed by both parties in 2015. BG Finance is a non-wholly-owned subsidiary of Beijing Enterprises Group Company Limited (“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 2018 Deposit Agreement shall not exceed HK\$2,900,000,000.

On 23 December 2020, the Company and BG Finance further entered into a 2021 deposit services master agreement (the “2021 Deposit Agreement”) whereby the Company and BG Finance continue to carry out the transactions of similar natures from time to time under the 2021 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 2018 Deposit Agreement together with the supplemental agreement. The daily aggregate of deposits placed by the Group with BG Finance (including any interest accrued thereon) during the terms of the 2021 Deposit Agreement shall not exceed HK\$1,520,000,000.

The deposits placed by the Group with BG Finance as at 30 June 2021 amounted to HK\$1,459,512,000 (31 December 2020: HK\$2,599,712,000). The related interest income recognised in profit or loss during the six months ended 30 June 2021 and 2020 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 30 June 2021 amounted to HK\$4,337,655,000 (31 December 2020: HK\$3,830,517,000) and bear interest at floating rates ranging from 4.31% to 4.90% per annum (31 December 2020: from 4.36% to 5.05% per annum). The related interest expenses recognised in profit or loss during the six months ended 30 June 2021 and 2020 were not significant to the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

19. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following material transactions during the six months ended 30 June 2021 and outstanding balances with related parties as at 30 June 2021: *(Continued)*

- (x) 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) (“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.

The deposits placed by the Group with ABC Group as at 30 June 2021 amounted to RMB126,273,000 (equivalent to HK\$152,136,000) (31 December 2020: RMB219,828,000 (equivalent to HK\$261,700,000)). The related interest income recognised in profit or loss during the six months ended 30 June 2021 and 2020 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.

- (xi) 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\$131,894,000), 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\$131,894,000) and the lease interest of approximately RMB29,463,000 (equivalent to approximately HK\$35,327,000).

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 2021

19. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following material transactions during the six months ended 30 June 2021 and outstanding balances with related parties as at 30 June 2021: *(Continued)*

(xii) On 5 February and 24 March 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 RMB86,090,000,000 (equivalent to HK\$103,090,000,000) 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 above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

(xiii) During the six months ended 30 June 2020, the Group had engaged a related company of the Group to provide water treatment engineering services for a water supply plant located in Malaysia at a service fees MYR13,515,000 (equivalent to HK\$24,621,000) and the fees were charged at the published prices and conditions offered by the related company to its major customers. No water treatment engineering service was provided by the related company and no amount was charged during the six months ended 30 June 2021.

(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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

19. RELATED PARTY DISCLOSURES *(Continued)*

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Short term employee benefits	13,289	12,758
Equity-settled share award expenses	–	8,933
Pension scheme contributions	178	112
Total compensation paid to key management personnel	13,467	21,803

Save as disclosed above, at 30 June 2021, the Group had no other material transactions and outstanding balances with related parties.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

20. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

Assets measured at fair value:

	Fair value measurement using			Total 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 2021 (Unaudited)				
Investment properties	–	–	865,906	865,906
Financial assets at fair value through profit or loss	–	–	51,639	51,639
Equity investments designated at fair value through other comprehensive income	845,355	62,279	471,908	1,379,542
Total	845,355	62,279	1,389,453	2,297,087
At 31 December 2020 (Audited)				
Investment properties	–	–	855,598	855,598
Financial assets at fair value through profit or loss	–	–	68,036	68,036
Equity investments designated at fair value through other comprehensive income	880,910	62,279	467,710	1,410,899
Total	880,910	62,279	1,391,344	2,334,533

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 2020: 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

21. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 30 June 2021 amounted to HK\$5,434,963,000 (unaudited) (31 December 2020: HK\$10,474,560,000) and HK\$134,607,572,000 (unaudited) (31 December 2020: HK\$122,479,120,000), respectively.

22. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

These condensed consolidated financial information were approved and authorised for issue by the board of directors on 30 August 2021.

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2021, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code"), were as follows:

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

Name of Directors	Number of ordinary shares				Total	Approximate percentage of the Company's issued share capital (Note 2)
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Zhou Min	400,000	–	310,790,878 (Note 1)	–	311,190,878	3.1045%
Mr. Li Haifeng	350,544	–	–	–	350,544	0.0035%
Mr. Zhang Tiefu	224,544	–	–	–	224,544	0.0022%
Mr. Tung Woon Cheung Eric	144,290	–	–	–	144,290	0.0014%
Mr. Li Li	1,145,088	–	–	–	1,145,088	0.0114%

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

Associated Corporation	Name of Directors	Number of ordinary shares				Total	Approximate percentage of the associated corporation's issued share capital
		Personal interests	Family interests	Corporate interests	Other interests		
Beijing Enterprises Clean Energy Group Limited ("BECEG")	Mr. Zhou Min	–	–	1,824,086,800 (Note 3)	–	1,824,086,800	2.8714% (Note 5)
	Mr. Li Haifeng	–	–	1,127,175,080 (Note 4)	–	1,127,175,080	1.7744% (Note 5)
Beijing Enterprises Urban Resources Group Limited ("BEURG")	Mr. Zhou Min	–	–	104,820,000 (Note 6)	–	104,820,000	2.9117% (Note 8)
	Mr. Li Haifeng	1,040,000	–	48,960,000 (Note 7)	–	50,000,000	1.3889% (Note 8)

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS *(Continued)*

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

(Continued)

Notes:

1. 307,676,110 ordinary shares and 3,114,768 ordinary shares, both of HK\$0.10 each in the share capital of the Company ("Shares"), as at 30 June 2021 are held by Tenson Investment Limited and Star Colour Investments Limited, respectively, both of which are wholly and beneficially owned by Mr. Zhou Min, an executive director and the chief executive officer of the Company.
2. The percentage represented the number of Shares over the total issued Shares of the Company as at 30 June 2021 of 10,023,795,871 Shares.
3. This represented the number of ordinary shares of BECEG of HK\$0.001 each ("BECEG Ordinary Shares") as at 30 June 2021 held by Tenson Investment Limited which is wholly and beneficially owned by Mr. Zhou Min, an executive director and the chief executive officer of the Company.
4. This represented the number of BECEG Ordinary Shares as at 30 June 2021 held by Maolin Investments Limited which is wholly and beneficially owned by Mr. Li Haifeng, an executive director of the Company.
5. The percentage represented the number of BECEG Ordinary Shares over the total issued shares of BECEG as at 30 June 2021 of 63,525,397,057 shares.
6. This represented the number of ordinary shares of BEURG of HK\$0.1 each ("BEURG Ordinary Shares") as at 30 June 2021 held by Star Colour Investments Limited which is wholly and beneficially owned by Mr. Zhou Min, an executive director and the chief executive officer of the Company.
7. This represented the number of BEURG Ordinary Shares as at 30 June 2021 held by Maolin Investments Limited which is wholly and beneficially owned by Mr. Li Haifeng, an executive director of the Company.
8. The percentage represented the number of BEURG Ordinary Shares over the total issued shares of BEURG as at 30 June 2021 of 3,600,000,000 shares.

(iii) Long positions in share options of the Company

The interests of the directors of the Company 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 2021, 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.

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS *(Continued)*

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" and "Share Option 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, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

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.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2021, 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

Name	Notes	Number of ordinary Shares held, capacity and nature of interest			Percentage of the Company's total number of issued shares <i>(Note 8)</i>
		Beneficially owned	Through controlled corporation	Total	
Beijing Enterprises Environmental Construction Limited ("BE Environmental")		4,121,607,070	–	4,121,607,070	41.12%
Beijing Enterprises Holdings Limited ("BEHL")	(1)	–	4,121,607,070	4,121,607,070	41.12%
Modern Orient Limited ("MOL")	(2)	–	4,121,607,070	4,121,607,070	41.12%
Beijing Enterprises Investments Limited ("BEIL")	(2)	–	4,121,607,070	4,121,607,070	41.12%
Beijing Enterprises Group (BVI) Company Limited ("BE Group (BVI)")	(3)	–	4,121,607,070	4,121,607,070	41.12%
Beijing Enterprises Group Company Limited ("BEGCL")	(4)	–	4,146,723,070	4,146,723,070	41.37%
Three Gorges Capital Holdings (HK) Co., Limited ("TGC HK")	(5)	515,952,000	–	515,952,000	5.15%
Three Gorges Capital Holding Co., Ltd ("TGC")	(5)	–	515,952,000	515,952,000	5.15%
Yangtze Ecology and Environment (HK) Investment Limited ("YEE HK")	(6)	872,121,436	–	872,121,436	8.70%
Yangtze Ecology and Environment Co., Ltd. ("YEE")	(6)	–	872,121,436	872,121,436	8.70%
China Three Gorges Corporation ("CTG")	(7)	–	1,588,495,436	1,588,495,436	15.85%

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 4,121,607,070 Shares (representing approximately 41.12% in the share capital of the Company). BE Environmental is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the Shares owned by BE Environmental.
- (2) The interest disclosed comprises the Shares owned by BEHL (through BE Environmental). MOL and BEIL are the immediate shareholders of BEHL and collectively hold approximately 20.90% of the issued share capital of BEHL. Accordingly, each of MOL and BEIL is deemed to be interested in the Shares owned by BEHL (through BE Environmental).
- (3) The interest disclosed comprises the Shares owned by BEIL and MOL (through BEHL and BE Environmental). BEHL is held directly as to approximately 41.06% 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 25,116,000 Shares owned by Beijing Holdings Limited ("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 BHL.
- (5) The interest disclosed comprises the Shares owned by TGC HK which beneficially holds 515,952,000 Shares (representing approximately 5.15% in the share capital of the Company). TGC HK is a wholly-owned subsidiary of TGC. Accordingly, TGC is deemed to be interested in the Shares owned by TGC HK.
- (6) The interest disclosed comprises the Shares owned by YEE HK which beneficially holds 872,121,436 Shares (representing approximately 8.70% in the share capital of the Company). YEE HK is a wholly-owned subsidiary of YEE. Accordingly, YEE is deemed to be interested in the Shares owned by YEE HK.
- (7) The interest disclosed comprises (i) 515,952,000 Shares owned by TGC HK, a direct wholly-owned subsidiary of TGC which is in turn directly held as to 70% by CTG and 10% by China Yangtze Power Co., Ltd. ("CYP"). CYP is directly held as to 57.92% by CTG and 4% by China Three Gorges Projects Developments Co., Ltd., 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 Shares of the Company as at 30 June 2021 of 10,023,795,871 Shares.

Save as disclosed above, as at 30 June 2021, 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”) is 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 is 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 are 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 will 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 which are available for issue is 254,526,000 Shares in respect of all outstanding share options which remain exercisable, representing approximately 2.54% of the ordinary Shares of the Company in issue as at 30 June 2021.

During the six months ended 30 June 2021, 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 2021	Grant Date	Exercisable Period	Exercise Price HK\$	Weighted Average Closing price per Share HK\$
	As at 1 January 2021	Granted	Exercised	Lapsed	Cancelled					
Directors										
Zhou Min	11,200,000	-	-	-	-	11,200,000	24/04/2013	24/4/2014 – 23/4/2023	2.244	-
	11,200,000	-	-	-	-	11,200,000	24/04/2013	24/4/2015 – 23/4/2023	2.244	-
	11,200,000	-	-	-	-	11,200,000	24/04/2013	24/4/2016 – 23/4/2023	2.244	-
	11,200,000	-	-	-	-	11,200,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	-
	11,200,000	-	-	-	-	11,200,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	56,000,000	-	-	-	-	56,000,000				
Li Haifeng	2,600,000	-	-	-	-	2,600,000	24/04/2013	24/4/2015 – 23/4/2023	2.244	-
	5,800,000	-	-	-	-	5,800,000	24/04/2013	24/4/2016 – 23/4/2023	2.244	-
	5,800,000	-	-	-	-	5,800,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	-
	5,800,000	-	-	-	-	5,800,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	20,000,000	-	-	-	-	20,000,000				
Tung Woon Cheung Eric	1,800,000	-	-	-	-	1,800,000	24/04/2013	24/4/2014 – 23/4/2023	2.244	-
	1,800,000	-	-	-	-	1,800,000	24/04/2013	24/4/2015 – 23/4/2023	2.244	-
	1,800,000	-	-	-	-	1,800,000	24/04/2013	24/4/2016 – 23/4/2023	2.244	-
	1,800,000	-	-	-	-	1,800,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	-
	1,800,000	-	-	-	-	1,800,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	9,000,000	-	-	-	-	9,000,000				

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME *(Continued)*

Category of Participants/ Name	Number of Share Options					As at 30 June 2021	Grant Date	Exercisable Period	Exercise Price HK\$	Weighted Average Closing price per Share HK\$
	As at 1 January 2021	Granted	Exercised	Lapsed	Cancelled					
Li Li	1,180,000	-	-	-	-	1,180,000	24/04/2013	24/4/2015 – 23/4/2023	2.244	-
	3,840,000	-	-	-	-	3,840,000	24/04/2013	24/4/2016 – 23/4/2023	2.244	-
	3,840,000	-	-	-	-	3,840,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	-
	3,840,000	-	-	-	-	3,840,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	12,700,000	-	-	-	-	12,700,000				
Zhang Gaobo	400,000	-	-	-	-	400,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	800,000	-	-	-	-	800,000				
Guo Rui	400,000	-	-	-	-	400,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000				
Wang Kaijun	400,000	-	-	-	-	400,000	24/04/2013	24/4/2014 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/04/2013	24/4/2015 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/04/2013	24/4/2016 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	2,000,000	-	-	-	-	2,000,000				
Sub-total	100,900,000	-	-	-	-	100,900,000				
Eligible Participants including Employees										
In aggregate	7,796,000	-	(200,000)	-	-	7,596,000	24/04/2013	24/4/2014 – 23/4/2023	2.244	3.04
	<i>(Note 2)</i>									<i>(Note 1)</i>
	18,904,000	-	(200,000)	-	-	18,704,000	24/04/2013	24/4/2015 – 23/4/2023	2.244	3.04
	<i>(Note 2)</i>									<i>(Note 1)</i>
	28,166,000	-	(600,000)	-	-	27,566,000	24/04/2013	24/4/2016 – 23/4/2023	2.244	3.04
	<i>(Note 2)</i>									<i>(Note 1)</i>
	48,560,000	-	(600,000)	-	-	47,960,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	3.04
<i>(Note 2)</i>									<i>(Note 1)</i>	
50,400,000	-	(600,000)	-	-	49,800,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	3.04	
<i>(Note 2)</i>									<i>(Note 1)</i>	
2,000,000	-	-	-	-	2,000,000	28/03/2014	1/6/2016 – 27/3/2024	5.180	-	
Sub-total	155,826,000	-	(2,200,000)	-	-	153,626,000				
Total	256,726,000	-	(2,200,000)	-	-	254,526,000				

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME *(Continued)*

Notes:

1. These represented the weighted average closing price per Shares immediately before the date of the share options exercised by eligible participants during the period.
2. 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 2021.

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 option 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 2020 annual report of the Company (the “Annual Report 2020”).

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 is 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.

DISCLOSEABLE INFORMATION

SHARE AWARD SCHEME *(Continued)*

The maximum aggregate number of Shares which can be held by the trustee under the Share Award Scheme at any single point in time shall not exceed 2% of the total issued share capital of the Company from time to time. 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.

As at 30 June 2021, no awarded Shares was granted or to be vested were outstanding under the Share Award Scheme.

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

During the period under review:

- Mr. Zhao Feng was appointed as a non-executive director of the Company on 1 January 2021.
- Mr. Chau On Ta Yuen was appointed as an independent non-executive director of the Company on 23 April 2021.
- Dr. Lee Man Chun Raymond resigned as an independent non-executive director of the Company on 23 April 2021.

Changes in information of directors since the date of the Annual Report 2020 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. Zhang Tiefu, an executive director of the Company, was appointed as an executive director and the joint chairman of BECEG on 21 May 2021 and 29 July 2021, respectively.
- Mr. Ke Jian, an executive director of the Company, resigned as the chief executive officer of Beijing Enterprises Environment Group Limited on 18 August 2021.
- Mr. Tung Woon Cheung Eric, an executive director of the Company, has been re-designated as the chief financial officer of BEHL on 1 July 2021.

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

Save as disclosed above, since the issue date of the Annual Report 2020, 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 <i>(million)</i>	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	RMB130	May 2023 <i>Note 4</i>	<i>Note 1</i>
		RMB1,000	May 2025 <i>Note 4</i>	<i>Note 1</i>
20 July 2018	Issuance of medium-term notes	RMB1,000	July 2023 <i>Note 4</i>	<i>Note 1</i>
		RMB2,000	July 2025 <i>Note 4</i>	<i>Note 1</i>
14 December 2018	Term loan facilities with various banks	AU\$210	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>
		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>

DISCLOSEABLE INFORMATION

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER *(Continued)*

Notes:

1. (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.
2. (i) BEHL owns, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of voting rights in the Company, free from any security; (ii) BEHL supervises the Company and/or have management control over the Company; (iii) BEHL is directly or indirectly the single largest shareholder of the Company; (iv) BEGCL owns, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any security; (v) BEGCL is directly or indirectly the single largest shareholder of BEHL or supervises BEHL; and (vi) BEGCL is effectively wholly-owned, supervised and controlled by the People's Government of Beijing Municipality* (北京市人民政府) ("Beijing Government").
3. (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 Government.
4. 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.
5. 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.

* 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 2021, 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 HK9.0 cents per ordinary share for the six months ended 30 June 2021, payable on or before Tuesday, 19 October 2021 to shareholders of the Company whose names appear on the register of members of the Company on Thursday, 30 September 2021 for their continuous supports to the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 27 September 2021 to Thursday, 30 September 2021 (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 Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 September 2021.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

During the six months ended 30 June 2021, 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 E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting of the Company. Having regard to the mandatory global 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 9 June 2021. 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.

COMPLIANCE WITH 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 of the Listing Rules (the “Model Code”) as the code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, the Company confirms that during the six months ended 30 June 2021, all the directors of the Company have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by directors of the Company.

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 2021 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 assets of the Group. The Board had delegated such responsibility to the Audit Committee which shall oversee management in designing, implementing and monitoring the risk management and internal control systems.

The 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 a risk management functional division and audit center in place. The risk management functional division has organized and set up a risk management mechanism regarding corporate objectives so as to identify, control, acknowledge and manage the risks faced by the Group. In particular, the Group applies strict guidelines and procedures that monitor and control each investing unit for its investment, with the aim to mitigate risk exposure and external impacts and ensure that the risk management process is in line with the relevant objective. On the other hand, audit center carries out an independent review of key business processes and controls in accordance with its normal procedures. The recommendations and remedial measures from risk management functional division and audit center will be 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 2021. No significant areas of concern that may affect the financial, operational and compliance control functions of the Group have been identified.