



北控水務集團有限公司

BEIJING ENTERPRISES WATER GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 371)



**INTERIM
REPORT
2023**



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Wang Dianchang

Independent Non-executive Directors

Mr. Shea Chun Lok Quadrant
Mr. Guo Rui
Mr. Chau On Ta Yuen
Mr. Dai Xiaohu

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Guo Rui (*Chairman*)
Mr. Tung Woon Cheung Eric

SUSTAINABILITY COMMITTEE

Mr. Li Li (*Chairman*)
Mr. Tung Woon Cheung Eric
Mr. Guo Rui

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

STOCK CODE

371

WEBSITE

www.bewg.net

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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

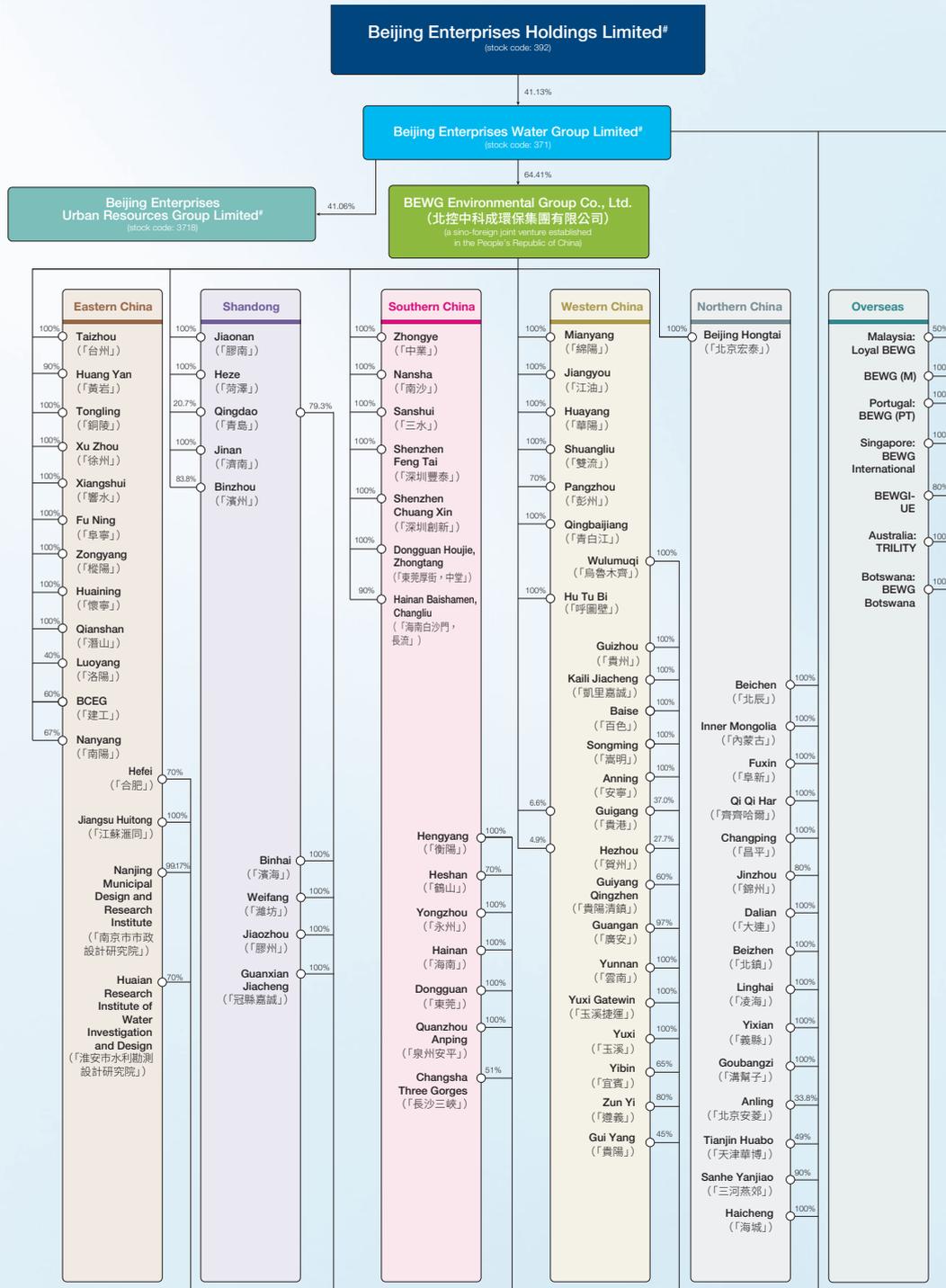
PRINCIPAL BANKERS

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

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

GROUP STRUCTURE

30 June 2023



* 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,

2023 is the first year for the full implementation of the spirit promulgated by the Chinese Communist Party at its 20th National Congress. Notwithstanding the complex global environment, China has maintained its consistent strategic focus. Beijing Enterprises Water Group Limited (the “Company” and, together with its subsidiaries, collectively referred to as the “Group” or “BEWG”) continues to strengthen and improve its fundamentals, strictly adheres to the bottom line of being compliant with regulations, and pushes through the development and integration of the “risk prevention and compliance enhancement” systems. Through continuously improving the quality of its assets, driving its development with technological innovations and unleashing the value of its service platform, the Group is steadily building strategic self-confidence and achieving high-quality and sustainable development.

PERFORMANCE REVIEW

For the six months ended 30 June 2023, the Group achieved new and total daily design capacities of 534,672 tons and 43,810,385 tons, respectively. The Group recorded revenue of HK\$13,730,787,000, which increased by 29% as compared with corresponding period last year. Profit attributable to shareholders of the Company amounted to HK\$1,556,538,000, which increased by 124% as compared with corresponding period last year. 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 HK7.0 cents per share to the shareholders.

In his address to the National Eco-system and Environmental Protection Conference (全國生態環境保護大會), General Secretary Xi Jinping emphasised that the construction of a beautiful China is an important goal of building a modern socialist country in an all-round way. As China continues to advance in the battle to prevent and control pollution, the environmental protection industry has entered a stage of high-quality development. The Group actively monitors the market, makes steady progress in its transformation, and builds a new model of coordinated development of the water services (including urban sewage treatment), plant and network integration, reclaimed water treatment and sludge treatment businesses.

Driven by the need to build an ecological civilisation in the new era, favourable policies will promote merger, acquisition and reorganisation and create new markets and opportunities. The Group insists on placing equal values on light and heavy assets, keeps the expenditure within the limits of revenues, maintains long-term value, strengthens the core business of sewage treatment, and improves its expansion model through structural changes. In the first half of 2023, the Group acquired 100% equity interests in Honghe Water Industry Investment Co., Ltd. and Shuifu Water Industry Investment Co., Ltd. from Yunnan Water Investment Co., Limited through public tender. It also acquired the Zhucheng Sewage Treatment Plant. After taking possession of this plant, the Group will undertake a technical transformation of this plant in accordance with its excellent operating standards so as to ensure a stable operation of the plant.

The Group proactively reviewed a number of traditional water service companies with the aim of optimising the water service investment strategy and facilitating their business expansion. At the same time, the Group established a core water service management team to completely reshape the water service operation and management system and improve systematically the fundamentals of the water service companies. The Group continued to put effort into the plant and network integration business by capitalising on its economies of scale in the environmental protection industry developed over the years.

CHAIRMAN'S STATEMENT

PERFORMANCE REVIEW *(Continued)*

The Guiding Opinions on Accelerating the Construction of Urban Environmental Infrastructure (《關於加快推進城鎮環境基礎設施建設的指導意見》) issued by the National Development and Reform Commission, the Ministry of Ecology and Environment, the Ministry of Housing and Urban-Rural Development and the National Health Commission proposed to improve sewage collection, treatment and reutilisation facilities, accelerate full coverage of sewage drainage networks across cities and towns, promote the integration of domestic sewage collection and treatment plant and network, speed up sewage reutilisation, and plan and construct sewage reutilisation facilities in a systematic manner while upgrading, expanding and revamping existing sewage treatment facilities. In the first half of 2023, the Group provided additional comprehensive treatment services with a daily treatment capacity of 800,000 tons to four sewage treatment plants in Luoyang while effectively ensuring the orderly operation of its existing water plants. This project represents a mutually beneficial and win-win co-operation with the customers. The implementation of this project is critical to Luoyang City in promoting sewage reutilisation and implementing the plans for intensive utilisation of water resources in the Yellow River Basin.

In view of the national carbon peak and carbon neutrality goals, policies to reduce pollution and carbon emissions and implement decontamination treatment of sludge were successively rolled out. The Group strengthened its business portfolio in a targeted manner. To achieve incremental growth based on economies of scale, the Group capitalised on its advantages and unleashed the business synergy between the sludge business and the existing water plants, and strived to open up the last mile of sewage treatment through years of technological innovation and practice. The Rizhao and Jincheng sludge projects were obtained during the period.

In the first half of 2023, Beijing Enterprises Urban Resources Group Limited ("BEURG", stock code: 3718), being the major operating entity of the Group in terms of environmental hygiene business, comprehensively reconstructed the customer management design with the concept of full life-cycle management and strived to become the customers' first choice of city steward. Its municipal service segment won the bids for new projects with a total annualised service amount of approximately HK\$281 million in, among other places, Yinzhou district of Tieling, the Maluan street of Shenzhen and Longkou city of Shandong.

The Group actively promotes its in-depth and coordinated development with BEURG to stimulate the rapid growth of the environmental hygiene business. In the first half of the year, BEURG won the bid for the Urban Public Service Marketisation Government Procurement Service Project in Longkou city, Shandong province, with a total contract value of RMB624 million. This project expanded the scope of service of the existing city steward projects of BEURG and demonstrated the synergy effect of integration of water and environmental hygiene services.

Regarding its overseas business, the Group actively responded to the complex and ever-changing external environment, strengthened market expansion, accumulated structural capital, continued to consolidate its core capabilities, revitalised internal resources and innovated development.

CORPORATE MANAGEMENT AND CONTROL

According to the 2023 report on the work of the Government (二零二三年政府工作報告), an ecological and environmental protection still has a long way to go in China. One of the priorities for the year is to promote the green transformation of the development model and further promote the prevention and control of environmental pollution.

Guided by the requirements of the national strategy and led by its business strategy to achieve "quality growth, valuable assets, cash profits and capable organisation", the Group continued to improve its core capabilities such as quality delivery and smart operation in order to consolidate its fundamentals.

CHAIRMAN'S STATEMENT

CORPORATE MANAGEMENT AND CONTROL *(Continued)*

In the first half of 2023, the Group built a quality control system for investment projects to improve the quality of its projects. Focusing on high-quality delivery, it clarified the process-based quality control improvement path and strengthened its compliance management in procurement. It strengthened the implementation of the “cloud chain terminal” model and promoted the intensive management and upgrade of regional operations. The “asset management + intelligent operation” two-pronged system was further improved and the full life-cycle asset management system was gradually implemented to carry out value management throughout the entire life cycle.

The Group has always adhered to its “customer-oriented and innovation-driven” operation philosophy and transformed its core role from a “businessman” to a “tradesman”. Through the reform of its regional companies, the Group has made solid efforts to carry out localised operation in local markets, built up differentiated competitiveness for regional markets, and established a process spanning from market insights to active marketing in order to facilitate its marketing transformation (market to lead process).

The Group continued to improve its strategic management ability through upgrading both its organisational capability and its business operation and management with management reform. The Group strictly implemented state-owned assets management and control rules, improved its corporate governance in accordance with compliance requirements, and adjusted and optimised the internal decision-making mechanism and operation process.

SUSTAINABLE DEVELOPMENT

The Group embeds the concept of sustainability into its medium-term and long-term development strategies, and lays the solid foundations for BEWG's high-quality and sustainable development by building up corporate sustainability in multiple aspects, such as sustainable innovation, sustainable data, sustainable clients and brands as well as sustainable organisation and human resources.

Being an industry leader focusing on water recycling and water-related environmental protection, the Group first introduced the “New Water Services for the Future” development plan as its major strategic initiative in collaboration with renowned experts in the industry. It aims at providing adequate, healthy and sustainable water resources and promoting sustainable economic, social and environmental development through technological innovation, management reform and engagement with all stakeholders.

Guided by its innovation strategy, the Group persistently builds up the core competitive strength of its products and forges new growth engines in the fields of water, soil and eco-system with its scientific and business model innovations. With continuous breakthroughs and innovations in in-house biochemical technique and technology, Sludge Double Recirculation – Anaerobic/Oxic/Anoxic (AOA) (“BEAOA”) and Anaerobic Ammonium Oxidation (“BEAMX”) were successfully tested, a mobile version of “BESWIFT” was applied to an industrial water treatment scenario for the first time, and the Group continued to expand and crystallise its core technology portfolio during the year.

CHAIRMAN'S STATEMENT

SUSTAINABLE DEVELOPMENT *(Continued)*

The Group improved its corporate operational efficiency through digitalisation in conjunction with the reform, consolidation and implementation of business procedures in key areas. It also optimised its “1+N” cluster mode and upgraded its centralised regional management system by systematically enforcing its operation standards through Smart Execution of Drainage (“SED”) digitalisation.

The Group always cares about the expectations of all stakeholders. Adhering to its “customer-oriented” operation philosophy, the Group implemented pilot contextual marketing projects and improved customer relations in a comprehensive manner. It upgraded its supplier management structure and system in order to optimise service provision. It also continuously strengthened its corporate human capital and secured human resources for its high-quality and sustainable development during its transformation by commencing nurturing programmes for key talent, optimising and enhancing its management team, and establishing a talent training base, namely the “Upgrading Learning Academy”.

FUTURE PROSPECT

In 2023, the economic and social development in China has entered a new phase of high-quality growth that speeds up green and low-carbon developments. At the National Eco-system and Environmental Protection Conference (全國生態環境保護大會), General Secretary Xi Jinping stated that the construction of a beautiful China will become the focus in building a strong country and realising national rejuvenation in the next five years. Paying heed to its original aspirations, the Group will focus on environmental protection, uphold its core concept of green and sustainable development, continue to acquire and manage large-scale assets, and enhance its corporate operational efficiency and materialise sustainable corporate growth by forging new growth engines with its scientific and business model innovations. Being loyal to its mission of “Vitalising your life with our new water services”, it will pursue its vision of “becoming the world-class provider of reliable and leading water services and environmental services” at full steam.

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

Xiong Bin

Chairman

29 August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the period attributable to shareholders of the Company increased by 124% to HK\$1,556.5 million. Revenue increased by 29% to HK\$13,730.8 million as a result of increase in revenue contribution from construction services for the BOT water projects and consolidation of Beijing Enterprises Urban Resources Group Limited (“BEURG”) since the second half of last year.

1. FINANCIAL HIGHLIGHTS

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

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	HK\$'M	%		HK\$'M	%
1. Water treatment services					
Sewage and reclaimed water treatment services					
China					
– Subsidiaries	4,544.4	33%	57%	2,040.9	54%
– Joint ventures and associates				152.2	4%
				2,193.1	58%
Overseas					
– Subsidiaries	229.2	2%	16%	16.9	–
	4,773.6	35%		2,210.0	58%
Water distribution services					
China					
– Subsidiaries	1,280.3	9%	47%	364.7	10%
– Joint ventures				79.5	2%
				444.2	12%
Overseas					
– Subsidiaries	272.9	2%	27%	48.3	1%
– Joint ventures				18.1	–
				66.4	1%
	1,553.2	11%		510.6	13%
Subtotal	6,326.8	46%		2,720.6	71%

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	368.0	3%	17%	134.9	4%
– Interest income	–	–	–	218.5	6%
	368.0	3%	17%	353.4	10%
Construction of BOT water projects	3,299.9	24%	18%	425.7	11%
Subtotal	3,667.9	27%		779.1	21%
3. Technical services and sale of machineries for the water environmental renovation	1,195.0	9%	39%	214.8	6%
4. Urban resources services	2,541.1	18%	23%	79.4	2%
Business results	13,730.8	100%		3,793.9	100%
Others[#]				(2,237.4)	
Total				1,556.5	

[#] Others included head office expense and other cost, net, of HK\$498.6 million, share of profit of joint ventures and associates of HK\$66.4 million, finance costs of HK\$1,753.0 million and profit attributable to holders of perpetual capital instruments of HK\$52.2 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\$81.1 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	4,704.0	44%	60%	2,177.2	57%
– Joint ventures and associates				146.8	4%
				2,324.0	61%
Overseas					
– Subsidiaries	238.3	2%	23%	32.2	1%
	4,942.3	46%		2,356.2	62%
Water distribution services					
China					
– Subsidiaries	1,299.0	12%	50%	419.2	11%
– Joint ventures				99.6	3%
				518.8	14%
Overseas					
– Subsidiaries	262.9	3%	30%	57.3	1%
– Joint ventures				14.2	–
				71.5	1%
	1,561.9	15%		590.3	15%
Subtotal	6,504.2	61%		2,946.5	77%

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

The analysis of the Group's financial results during the 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% ⁵	819.3	8%	17%	208.0	5%
– Interest income	–	–	–	221.9	6%
	819.3	8%	17%	429.9	11%
Construction of BOT water projects	2,232.6	21%	19%	288.5	8%
Subtotal	3,051.9	29%		718.4	19%
3. Technical services and sale of machineries for the water environmental renovation					
	1,089.8	10%	40%	143.8	4%
Business results	10,645.9	100%		3,808.7	100%
Others[#]				(3,114.7)	
Total				694.0	

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

The comparison of the Group's financial results for the six months ended 30 June 2023 and 2022 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	For the six months ended 30 June		Increase/(Decrease)		For the six months ended 30 June		Increase/(Decrease)	
	2023 HK\$'M	2022 HK\$'M	HK\$'M	%	2023 HK\$'M	2022 HK\$'M	HK\$'M	%
1. Water treatment services								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	4,544.4	4,704.0	(159.6)	(3%)	2,040.9	2,177.2	(136.3)	(6%)
– Joint ventures and associates					152.2	146.8	5.4	4%
					2,193.1	2,324.0	(130.9)	(6%)
<i>GP ratio</i>	57%	60%		(3%)				
Overseas								
– Subsidiaries	229.2	238.3	(9.1)	(4%)	16.9	32.2	(15.3)	(48%)
<i>GP ratio</i>	16%	23%		(7%)				
	4,773.6	4,942.3	(168.7)	(3%)	2,210.0	2,356.2	(146.2)	(6%)
Water distribution services								
China								
– Subsidiaries	1,280.3	1,299.0	(18.7)	(1%)	364.7	419.2	(54.5)	(13%)
– Joint ventures					79.5	99.6	(20.1)	(20%)
					444.2	518.8	(74.6)	(14%)
<i>GP ratio</i>	47%	50%		(3%)				
Overseas								
– Subsidiaries	272.9	262.9	10.0	4%	48.3	57.3	(9.0)	(16%)
– Joint ventures					18.1	14.2	3.9	27%
					66.4	71.5	(5.1)	(7%)
<i>GP ratio</i>	27%	30%		(3%)				
	1,553.2	1,561.9	(8.7)	(1%)	510.6	590.3	(79.7)	(14%)
Subtotal	6,326.8	6,504.2	(177.4)	(3%)	2,720.6	2,946.5	(225.9)	(8%)

MANAGEMENT DISCUSSION AND ANALYSIS

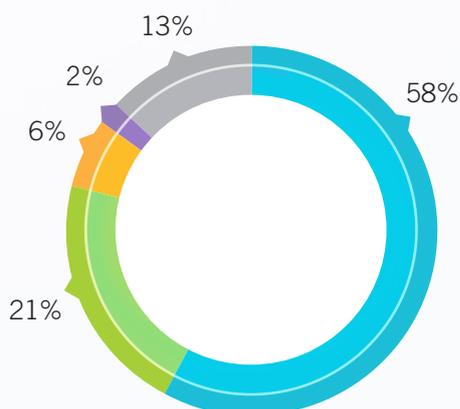
1. FINANCIAL HIGHLIGHTS *(Continued)*

The comparison of the Group's financial results for the six months ended 30 June 2023 and 2022 is set out in details below: *(Continued)*

	Revenue				Profit attributable to shareholders of the Company			
	For the six months ended 30 June				For the six months ended 30 June			
	2023 HK\$'M	2022 HK\$'M	Increase/(Decrease) HK\$'M	%	2023 HK\$'M	2022 HK\$'M	Increase/(Decrease) HK\$'M	%
2. Construction services for the water environmental renovation								
Construction services for comprehensive renovation projects								
– Projects with completion rate more than 10%	368.0	819.3	(451.3)	(55%)	134.9	208.0	(73.1)	(35%)
– Interest income	–	–	–	–	218.5	221.9	(3.4)	(2%)
	368.0	819.3	(451.3)	(55%)	353.4	429.9	(76.5)	(18%)
<i>GP ratio</i>	17%	17%	–	–				
Construction of BOT water projects								
– China	3,299.9	2,232.6	1,067.3	48%	425.7	288.5	137.2	48%
<i>GP ratio</i>	18%	19%		(1%)				
Subtotal	3,667.9	3,051.9	616.0	20%	779.1	718.4	60.7	8%
3. Technical services and sale of machineries for the water environmental renovation	1,195.0	1,089.8	105.2	10%	214.8	143.8	71.0	49%
<i>GP ratio</i>	39%	40%		(1%)				
4. Urban resources services	2,541.1	–	2,541.1	–	79.4	–	79.4	–
<i>GP ratio</i>	23%	–		–				
Business results	13,730.8	10,645.9	3,084.9	29%	3,793.9	3,808.7	(14.8)	–
Others					(2,237.4)	(3,114.7)	877.3	(28%)
Total					1,556.5	694.0	862.5	124%

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*



Profit attributable to shareholders of the Company (Six months ended 30 June 2023)

- Sewage and reclaimed water treatment services
- Construction services for the water environmental renovation
- Technical services and sale of machineries for the water environmental renovation
- Urban resources services
- 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 2023, the Group entered into service concession arrangements and entrustment agreements for a total of 1,447 water plants and town-size sewage treatment facilities including 1,203 sewage treatment plants and town-size sewage treatment facilities, 174 water distribution plants, 69 reclaimed water treatment plants and a seawater desalination plant. Total daily design capacity for new projects secured for the period was 534,672 tons including Build-Operate-Transfer ("BOT") projects of 29,795 tons, Transfer-Operate-Transfer ("TOT") projects of 95,000 tons, Build-Own-Operate ("BOO") projects of 62,877 tons, entrustment operation projects of 292,000 tons and 55,000 tons through mergers and acquisitions.

Due to different reasons such as expiration of entrustment operation projects, the Group exited projects with aggregate daily design capacity of 1,011,380 tons during the period. As at 30 June 2023, total daily design capacity was 43,810,385 tons.

During the period, the Group entered into a service concession arrangement for town-size sewage treatment projects with aggregate daily capacity of 13,000 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/Day)</i>					
China					
In operation	18,752,465	1,937,088	10,040,237	–	30,729,790
Not yet commenced operation/ Not yet transferred	5,531,150	2,249,000	3,448,377	–	11,228,527
Subtotal	24,283,615	4,186,088	13,488,614	–	41,958,317
Overseas					
In operation	217,518	267,350	1,067,200	300,000	1,852,068
Not yet commenced operation/ Not yet transferred	–	–	–	–	–
Subtotal	217,518	267,350	1,067,200	300,000	1,852,068
Total	24,501,133	4,453,438	14,555,814	300,000	43,810,385
<i>(Number of water plants and town-size sewage treatment facilities)</i>					
China					
In operation	928	40	122	–	1,090
Not yet commenced operation/ Not yet transferred	228	24	18	–	270
Subtotal	1,156	64	140	–	1,360
Overseas					
In operation	47	5	34	1	87
Not yet commenced operation/ Not yet transferred	–	–	–	–	–
Subtotal	47	5	34	1	87
Total	1,203	69	174	1	1,447

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	332	4,365,555	675.9	989.5	375.7
– Western China	319	2,604,410	358.6	911.3	458.5
– Shandong	55	2,607,000	376.5	649.7	365.8
– Eastern China	133	5,745,876	787.4	1,015.0	396.5
– Northern China	129	5,366,712	610.4	978.9	596.6
	968	20,689,553	2,808.8	4,544.4	2,193.1
Overseas	52	484,868	51.8	229.2	16.9
Subtotal	1,020	21,174,421	2,860.6	4,773.6	2,210.0
Water distribution services:					
Mainland China	122	10,040,237	1,042.6	1,280.3	444.2
Overseas ⁵	35	1,367,200	72.2	272.9	66.4
Subtotal	157	11,407,437	1,114.8	1,553.2	510.6
Total	1,177	32,581,858	3,975.4	6,326.8	2,720.6

* Excluded entrustment operation contracts with fixed service fee

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 2023, the Group had 928 sewage treatment plants and town-size sewage treatment facilities and 40 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 18,752,465 tons (31 December 2022: 18,517,545 tons) and 1,937,088 tons (31 December 2022: 2,193,488 tons), respectively. The average daily processing volume is 15,726,560 tons* and average daily treatment rate is 79%*. The actual average contracted tariff charge of water treatment was approximately RMB1.48 per ton (31 December 2022: RMB1.47 per ton) for water plants. The actual aggregate processing volume for the period was 2,808.8 million tons, of which 2,549.9 million tons was contributed by subsidiaries and 258.9 million tons was contributed by joint ventures and associates. Total revenue for the period was HK\$4,544.4 million. Net profit attributable to shareholders of the Company was HK\$2,193.1 million, of which HK\$2,040.9 million was contributed by subsidiaries and HK\$152.2 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 2023, there were 332 plants and town-size sewage treatment facilities with total daily design capacity of 4,365,555 tons, representing an increase of 45,000 tons or 1% as compared with last year. The actual aggregate processing volume for the period amounted to 675.9 million tons. The operating revenue and profit attributable to shareholders of the Company were HK\$989.5 million and HK\$375.7 million respectively during the period.

* Excluded entrustments operation contracts with fixed service fee

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)*

Western China

Plants in Western China were mainly located in Yunnan Province, Guangxi Province, Sichuan Province and Guizhou Province. As at 30 June 2023, there were 319 sewage treatment plants and town-size sewage treatment facilities with total daily design capacity of 2,604,410 tons, representing an decrease of 13,580 tons per day as compared with last year. The actual processing volume for the period was 358.6 million tons. The operating revenue of HK\$911.3 million was recorded during the period. Profit attributable to shareholders of the Company amounted to HK\$458.5 million.

Shandong

There were 55 plants and town-size sewage treatment facilities in Shandong region. The total daily design capacity of Shandong region is 2,607,000 tons, representing an increase of 50,000 tons per day or 2% as compared with last year. The actual processing volume for the period was 376.5 million tons contributing operating revenue of HK\$649.7 million during the period. Profit attributable to shareholders of the Company was HK\$365.8 million.

Eastern China

There were 133 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 2023, the total daily design capacity of Eastern China had decreased by 299,200 tons to 5,745,876 tons or 5% as compared with last year. The actual processing volume for the period amounted to 787.4 million tons and operating revenue was HK\$1,015.0 million during the period. Profit attributable to shareholders of the Company was HK\$396.5 million.

Northern China

Currently, the Group has 129 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 196,300 tons to 5,366,712 tons or 4% as compared with last year. The projects achieved actual processing volume of 610.4 million tons for the period. The operating revenue was HK\$978.9 million during the period. Profit attributable to shareholders of the Company was HK\$596.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

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

2.1.1b Overseas:

As at 30 June 2023, 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 484,868 tons. The actual processing volume for the period is 51.8 million tons. Total revenue for the period was HK\$229.2 million. Profit attributable to shareholders of the Company was HK\$16.9 million.

2.1.2 Water distribution services

2.1.2a Mainland China:

As at 30 June 2023, the Group had 122 water distribution plants in operation. Total daily design capacity in operation was 10,040,237 tons (31 December 2022: 9,708,442 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 RMB2.16 per ton (31 December 2022: RMB2.13 per ton). The aggregate actual processing volume is 1,042.6 million tons, of which 590.6 million tons was contributed by subsidiaries, which recorded revenue of HK\$1,280.3 million and 452.0 million tons was contributed by joint ventures. Profit attributable to shareholders of the Company was HK\$444.2 million, of which profit of HK\$364.7 million was contributed by subsidiaries and a profit of HK\$79.5 million in aggregate was contributed by joint ventures.

2.1.2b Overseas:

As at 30 June 2023, the Group had 34 water distribution plants and a sea desalination plant which supplies drinking water in Portugal and Australia. Total daily design capacity in operation was 1,367,200 tons. The actual processing volume for the period is 72.2 million tons of which 40.0 million tons was contributed by subsidiaries and 32.2 million tons was contributed by joint ventures. Total revenue for the period was HK\$272.9 million. Profit attributable to shareholders of the Company was HK\$66.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.2 Construction services for the water environmental renovation

2.2.1 Construction services for comprehensive renovation projects

The Group had 15 comprehensive renovation projects under construction during the period. The projects mainly located in Inner Mongolia. Last period, the Group had 18 comprehensive renovation projects under construction in Inner Mongolia, Henan Luoyang and Guangdong Foshan.

Revenue from comprehensive renovation projects decreased by HK\$451.3 million from last period of HK\$819.3 million to HK\$368.0 million this period.

According to the construction contracts, the Group charges an interest on the trade receivables from the customers with reference to certain mark-up on The People's Bank of China's lending rate for the period from the completion of the construction to time of the receipt of the trade receivables. Interest income from water environmental renovation projects attributable to shareholders of the Company was HK\$218.5 million for this period (six months ended 30 June 2022: HK\$221.9 million).

Profit attributable to shareholders of the Company for the comprehensive renovation projects decreased by HK\$76.5 million from last period of HK\$429.9 million to HK\$353.4 million this period.

The Group had already stopped investing in water environmental comprehensive renovation projects. With the gradual completion of the construction of water environmental renovation projects in hand or entering into the final stage of construction works, thus, there was a decrease in the construction revenue contributed by these projects. As such, there is a decrease in profit attributable to shareholders of the Company from construction services for the water environmental renovation.

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, Henan, Hunan, Shanxi and Yunnan provinces. Total revenue for construction of BOT water projects was HK\$3,299.9 million (six months ended 30 June 2022: HK\$2,232.6 million) and profit attributable to shareholders of the Company was HK\$425.7 million (six months ended 30 June 2022: HK\$288.5 million). During the period, construction works in all construction sites resumed full operation after the pandemic. As such, there was an increase in revenue and profit attributable to shareholders of the Company during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

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\$1,195.0 million (six months ended 30 June 2022: HK\$1,089.8 million), representing 9% of the Group's total revenue. Profit attributable to shareholders of the Company was HK\$214.8 million (six months ended 30 June 2022: HK\$143.8 million). During this period, the business development of technical services project is resumed after the pandemic. As such, there was an increase in revenue and profit attributable to shareholders of the Company during the period.

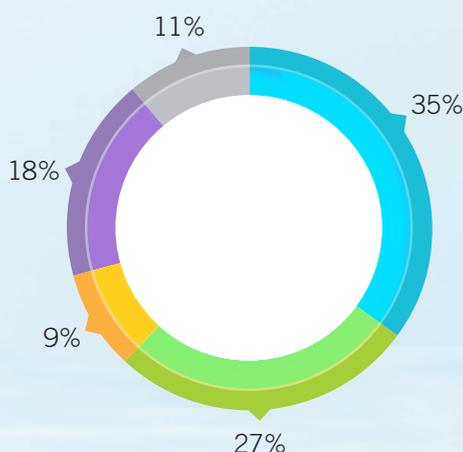
2.4 Urban resources services

From 30 June 2022 onwards, the Group consolidated the results of BEURG. BEURG is principally engaged in environmental hygiene services, hazardous waste treatment business and waste electrical and electronic equipment treatment business. As at 30 June 2023, BEURG had 152 environmental hygiene services projects, 9 hazardous waste treatment projects in operation and 2 revenue-generating waste electrical and electronic equipment treatment projects. For the six months ended 30 June 2023, BEURG's revenue was HK\$2,541.1 million and the profit attributable to the Group was HK\$79.4 million. From 1 January 2022 to the commencement date of consolidation in last period, the share of profit of BEURG was HK\$43.1 million which was recognized under the share of profit of associates.

3. FINANCIAL ANALYSIS

3.1 Revenue

During the period, the Group recorded revenue of HK\$13,730.8 million (six months ended 30 June 2022: HK\$10,645.9 million). The increase was mainly due to the increase in revenue from construction services for the BOT water projects and consolidation of BEURG.



Revenue
(Six months ended 30 June 2023)

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

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.2 Cost of sales

Cost of sales for the period amounted to HK\$8,696.1 million, compared to last period of HK\$6,038.2 million. The increase was mainly due to increase in cost of construction services rendered of HK\$522.7 million and consolidation of BEURG which resulted in increase in cost of sales of HK\$1,956.2 million. Cost of sales mainly included construction costs of HK\$3,000.2 million and operating costs of water plants of HK\$3,007.7 million. The construction costs mainly consisted of subcontracting charges. The operating costs of water plants, mainly included electricity charges of HK\$733.8 million, staff costs of HK\$761.9 million and major overhaul charges of HK\$162.2 million. Major overhaul charges were the estimated expenditure to be incurred for the restoration of water plants before they are handed over to the grantor at the end of service arrangements. The amount was estimated based on discounted future cash outlays on major overhauls during the service concession periods. The amount was charged to profit or loss based on amortisation method during the service concession periods.

3.3 Gross profit margin

During the period, gross profit margin decreased from last period of 43% to 37%. Gross margin decreased as there is a change in mix of revenue during this period. The proportion of revenue contribution from water treatment services decreased as a result of consolidation of BEURG. The gross margin of water treatment services is comparatively higher than the urban resources services.

Gross margin for sewage and reclaimed water treatment services:

Gross margin for sewage and reclaimed water treatment services in Mainland China was decreased to 57% (last period: 60%) The decrease in gross margin was mainly due to increment in cost of raw materials (e.g. chemicals) and electricity charges during this period. Gross margin for sewage and reclaimed water treatment services in Overseas was 16% (last period: 23%). Gross margin in Overseas decreased which was mainly due to increase in electricity charges in Singapore during the period.

Gross margin for water distribution services:

Gross margin for water distribution services in Mainland China was 47% (last period: 50%). The decrease in gross margin was mainly due to increment in electricity charges during this period. Gross margin for water distribution services in Overseas was 27% (last period: 30%). Gross margin in Overseas decreased which was mainly due to a flooding in certain part of Australia which affected the water quality and therefore increased the cost of chemical for water treatment.

Gross margin for construction services for comprehensive renovation projects:

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

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.3 Gross profit margin *(Continued)*

Gross margin for construction of BOT water projects:

Gross margin for construction of BOT water projects was 18% (last period: 19%).

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

Gross margin for the technical services and sale of machineries for the water environmental renovation was 39% (last period: 40%).

Gross margin for urban resources services:

Gross margin for urban resources services was 23%.

3.4 Other income and gains, net

The Group recorded other income and gains, net of HK\$504.5 million during the period, compared to last period of HK\$821.8 million. The amount for this period mainly included sludge treatment income of HK\$47.0 million, pipeline installation income of HK\$95.7 million and exchange gains of HK\$59.7 million, and government grant and subsidies of HK\$55.0 million.

3.5 Administrative expenses

Administrative expenses for the period increased to HK\$1,464.0 million, compared to last period of HK\$1,326.1 million. The increase was mainly due to consolidation of BEURG which resulted an increase in administrative expenses of HK\$240.4 million.

3.6 Other operating expenses, net

Other operating expenses for the period decreased to HK\$345.6 million, compared to last period of HK\$1,800.9 million. The other operating expenses for last period included (1) loss on deemed disposal of an associate, Shandong Hi-Speed New Energy Group Limited (“SDHS New Energy”) (formerly known as Beijing Enterprises Clean Energy Group Limited”), amounted to HK\$1,091.0 million; and (2) loss on remeasurement of an associate, BEURG, amounted to HK\$173.0 million. There was no such items during this period.

3.7 Finance costs

Interests on bank and other borrowings increased to HK\$1,493.3 million compared to last period of HK\$1,010.5 million. The increase was mainly due to an increase in both of the average borrowings balance and average interest rate during the six months ended 30 June 2023 compared with last period. Interests on corporate bonds and notes payable of HK\$349.3 million (six months ended 30 June 2022: HK\$466.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.8 Share of profits of joint ventures

Share of profits of joint ventures decreased to HK\$312.3 million, compared to last period of HK\$357.4 million. The decrease was mainly due to decrease in share of profits of the joint ventures which engaged in water treatment services and construction services for comprehensive renovation projects.

3.9 Share of profits of associates

Share of profits of associates decreased to HK\$71.5 million, compared to last period of HK\$142.9 million. The decrease was mainly due to decrease in share of profits of SDHS New Energy and no share of profit of BEURG as an associate after the consolidation of BEURG since the second half of last year.

3.10 Income tax expense

Income tax expense for the period included the current PRC income tax of HK\$404.4 million. The effective tax rate for the PRC operation was about 17% which was lower than the PRC standard income tax rate of 25% as some of the subsidiaries enjoyed tax concession benefit. Deferred tax charge for the period was HK\$201.6 million.

3.11 Profit attributable to holders of perpetual capital instruments

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

3.12 Property, plant and equipment

Property, plant and equipment decreased by HK\$487.8 million which was mainly due to depreciation of RMB during the period.

3.13 Right-of-use assets

Right-of-use assets decreased by HK\$63.6 million which was mainly due to depreciation of RMB during the period.

3.14 Investment properties

Investment property mainly 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)*

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

The Group's total amounts due from contract customers, receivables under service concession arrangements and trade receivables of HK\$115,957.6 million (31 December 2022: HK\$117,214.7 million) included:

By accounting nature:

	30 June 2023			31 December 2022		
	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	26,692.9	2,477.7	29,170.6	22,700.8	4,391.2	27,092.0
(ii) Receivables under service concession arrangements	55,219.1	8,620.3	63,839.4	58,470.5	7,788.0	66,258.5
(iii) Trade receivables	12,006.1	10,941.5	22,947.6	12,848.7	11,015.5	23,864.2
Total	93,918.1	22,039.5	115,957.6	94,020.0	23,194.7	117,214.7

- (i) Amounts due from contract customers of HK\$29,170.6 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\$2,078.6 million (non-current portion increased by HK\$3,992.1 million and current portion decreased by HK\$1,913.5 million), which was mainly due to recognition of construction revenue during the period;
- (ii) Receivables under service concession arrangements of HK\$63,839.4 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 decrease in balance by HK\$2,419.1 million (non-current portion decreased by HK\$3,251.4 million and current portion increased by HK\$832.3 million) was mainly due to depreciation of RMB during this period; and
- (iii) Trade receivables of HK\$22,947.6 million mainly arose from the provision of construction services for comprehensive renovation projects, technical and consultancy services, sewage treatment equipment trading and environmental hygiene services and hazardous waste treatment services. The balance decreased by HK\$916.6 million (non-current portion decreased by HK\$842.6 million and current portion decreased by HK\$74.0 million) was mainly due to depreciation of RMB during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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

By business nature:

	30 June 2023 HK\$'M	31 December 2022 HK\$'M
Water treatment services by BOT and TOT projects	85,093.0	84,229.7
Construction services of comprehensive renovation projects	25,364.2	27,926.9
Technical and consultancy services and other businesses	2,612.4	2,247.4
Environmental hygiene services and hazardous waste treatment businesses	2,888.0	2,810.7
Total	115,957.6	117,214.7

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\$85,093.0 million (31 December 2022: HK\$84,229.7 million). Total receivables for the construction service of comprehensive renovation projects were HK\$25,364.2 million (31 December 2022: HK\$27,926.9 million). Total receivables for technical and consultancy services and other businesses were HK\$2,612.4 million (31 December 2022: HK\$2,247.4 million). Environmental hygiene services and hazardous waste treatment businesses were HK\$2,888.0 million (31 December 2022: HK\$2,810.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.16 Operating concessions

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

3.17 Investments in joint ventures

Investments in joint ventures decreased by HK\$288.9 million, mainly due to depreciation of RMB during the period.

3.18 Investments in associates

Investments in associates decreased by HK\$221.9 million, mainly due to depreciation of RMB during the period.

3.19 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables decreased by HK\$301.0 million (non-current portion decreased by HK\$204.6 million and current portion decreased by HK\$96.4 million), mainly due to the decrease in advances to subcontractors and suppliers and due from associates during the period.

3.20 Cash and cash equivalents

Cash and cash equivalents increased by HK\$358.4 million which was mainly due to increase in bank and other borrowings during the period.

3.21 Other payables and accruals

Other payables and accruals decreased by HK\$1,397.6 million. The decrease was mainly due to the decrease in accruals and other liabilities during the period.

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

The Company issued perpetual capital instruments with an aggregate principal amount of RMB1,000 million and RMB1,000 million on 12 May 2020 and 23 May 2023 respectively. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Company subject to certain conditions. The perpetual capital instruments are classified as equity instruments.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.23 Perpetual capital instruments

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

3.24 Non-controlling interests

Non-controlling interests decreased by HK\$727.0 million. Decrease was mainly due to depreciation of RMB during the period.

3.25 Bank and other borrowings

Bank and other borrowings increased by HK\$5,167.8 million. Increase in bank and other borrowings was mainly due to new bank loans utilised to repay corporate bonds and finance for the acquisition and construction of various water projects in the PRC during the period.

3.26 Corporate bonds

Corporate bonds decreased by HK\$3,069.6 million mainly due to the net effect of issuance of new corporate bonds of principal amount of RMB2,500 million, repayment of corporate bonds with principal amount of RMB1,000 million and USD500 million and the depreciation of RMB during the period.

3.27 Trade payables

The decrease in trade payables by HK\$78.2 million was mainly due to depreciation of RMB during the period.

3.28 Deferred Income

Deferred income mainly represents government subsidies received in respect of the Group's construction of sewage treatment, water distribution facilities and hazardous waste treatment facilities and purchase of certain land.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.29 Liquidity and financial resources

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

As at 30 June 2023, the Group's cash and cash equivalents amounted to HK\$13,522.3 million (31 December 2022: HK\$13,163.9 million).

The Group's total borrowings amounted to HK\$84,193.6 million (31 December 2022: HK\$82,095.3 million) comprised bank and other borrowings of HK\$68,993.2 million (31 December 2022: HK\$63,825.3 million) and corporate bonds of HK\$15,200.4 million (31 December 2022: HK\$18,270.0 million). All the corporate bonds bear interest at fixed rates. Over 90% of bank and other borrowings bear interest at floating rates.

As at 30 June 2023, the Group had banking facilities amounting to HK\$73.2 billion, of which HK\$37.7 billion have not been utilised. The banking facilities are of 1 to 20 years term.

The Group's total equity amounted to HK\$57,131.0 million (31 December 2022: HK\$59,463.5 million). Total equity decreased was mainly due to the depreciation of RMB.

The gearing ratio as defined as sum of bank and other borrowings and corporate bonds, net of cash and cash equivalents, divided by the total equity was 1.24 as at 30 June 2023 (31 December 2022: 1.16). The increase in the gearing ratio as at 30 June 2023 was mainly due to the increase in bank and other borrowings and the decrease in total equity during the period.

3.30 Capital expenditures

During the period, the Group's total capital expenditures were HK\$4,110.9 million (six months ended 30 June 2022: HK\$3,387.9 million), of which HK\$690.3 million was paid for the acquisition of property, plant and equipment, right-of-use assets and intangible assets; HK\$3,418.4 million represented the construction and acquisition of water plants; and HK\$2.2 million represented the consideration for acquisition of equity interests in equity investments and capital injections in joint venture.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed 72,974* employees. Total staff cost for the six months ended 30 June 2023 was HK\$2,846,122,000 (six months ended 30 June 2022: HK\$1,623,328,000#). 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. During the six months ended 30 June 2023, 140,500,000 share options were lapsed. Other than disclosed above, no share option was exercised, lapsed or cancelled. As at 30 June 2023, the Company had 2,000,000 share options outstanding which were granted on 28 March 2014. The total outstanding share options represented approximately 0.02% of the Company's ordinary shares in issue as at 30 June 2023. On 26 September 2019, 1 November 2021 and 2 December 2022, the Company had granted 15,374,599 awarded shares, 12,471,409 awarded shares and 21,664,326 awarded shares respectively pursuant to the share award scheme adopted on 17 December 2018 (the "Share Award Scheme"). All the awarded shares were vested or lapsed. During the six months ended 30 June 2023, the Company did not grant any awarded share under the Share Award Scheme.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the six months ended 30 June 2023, the Group had no significant investments and acquisitions of subsidiaries and affiliated companies.

* Included 52,713 employees under BEURG as at 30 June 2023

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

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings, the corporate bonds and bill facilities of the Group as at 30 June 2023 were secured by:

- (i) mortgages over certain 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 certain of the Group's property, plant and equipment and right-of-use assets;
- (v) pledges over the Group's equity interests in certain subsidiaries;
- (vi) pledges over certain of the Group's bank balances; and/or
- (vii) pledges over certain of the Group's trade receivables.

Save as disclosed above, at 30 June 2023, 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 2023

		For the six months ended 30 June	
	Notes	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
REVENUE	3	13,730,787	10,645,939
Cost of sales		(8,696,095)	(6,038,227)
Gross profit		5,034,692	4,607,712
Interest income		491,314	564,237
Other income and gains, net		504,470	821,760
Administrative expenses		(1,463,991)	(1,326,146)
Other operating expenses, net		(345,572)	(1,800,948)
PROFIT FROM OPERATING ACTIVITIES	4	4,220,913	2,866,615
Finance costs	5	(1,752,952)	(1,423,358)
Share of profits and losses of:			
Joint ventures		312,265	357,360
Associates		71,494	142,870
PROFIT BEFORE TAX		2,851,720	1,943,487
Income tax expense	6	(627,122)	(535,408)
PROFIT FOR THE PERIOD		2,224,598	1,408,079
ATTRIBUTABLE TO:			
Shareholders of the Company		1,556,538	694,029
Holders of perpetual capital instruments		52,217	55,355
Non-controlling interests		615,843	658,695
		2,224,598	1,408,079
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
– Basic		HK15.31 cents	HK6.64 cents
– Diluted		HK15.28 cents	HK6.61 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 2023

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	2,224,598	1,408,079
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	(4,544,148)	(3,671,924)
– Release upon disposal of subsidiaries	5,346	(157)
– Release upon deemed disposal of partial interest in an associate	–	(9,918)
	(4,538,802)	(3,681,999)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
– Share of other comprehensive income of a joint venture	111	2,678
– Changes in fair value of equity investments designated at fair value through other comprehensive income	(35,154)	14,562
	(35,043)	17,240
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	(4,573,845)	(3,664,759)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(2,349,247)	(2,256,680)
ATTRIBUTABLE TO:		
Shareholders of the Company	(1,689,294)	(2,124,469)
Holders of perpetual capital instruments	(70,578)	(55,071)
Non-controlling interests	(589,375)	(77,140)
	(2,349,247)	(2,256,680)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	<i>Notes</i>	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	9	8,417,617	8,905,370
Right-of-use assets		889,536	953,159
Investment properties		674,972	701,651
Goodwill		4,161,483	4,212,037
Operating concessions		11,380,985	10,806,143
Other intangible assets		431,031	457,331
Investments in joint ventures		10,321,376	10,610,306
Investments in associates		3,560,747	3,782,687
Equity investments designated at fair value through other comprehensive income		835,282	900,874
Financial assets at fair value through profit or loss		12,271	–
Amounts due from contract customers		26,692,976	22,700,825
Receivables under service concession arrangements	10	55,219,116	58,470,512
Trade receivables	11	12,006,108	12,848,693
Prepayments, deposits and other receivables	12	1,370,365	1,574,914
Deferred tax assets		398,771	435,374
Total non-current assets		136,372,636	137,359,876
Current assets:			
Inventories		436,309	390,288
Amounts due from contract customers		2,477,689	4,391,268
Receivables under service concession arrangements	10	8,620,285	7,788,022
Trade receivables	11	10,941,465	11,015,424
Prepayments, deposits and other receivables	12	9,177,004	9,273,417
Restricted cash and pledged deposits		300,868	563,552
Cash and cash equivalents		13,522,265	13,163,864
Total current assets		45,475,885	46,585,835
TOTAL ASSETS		181,848,521	183,945,711

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital	13	1,004,661	1,004,661
Perpetual capital instrument		2,293,752	1,187,358
Reserves		29,098,854	31,687,981
		32,397,267	33,880,000
Perpetual capital instruments		2,701,497	2,824,292
Non-controlling interests		22,032,241	22,759,209
		24,733,738	25,583,501
TOTAL EQUITY		57,131,005	59,463,501
Non-current liabilities:			
Other payables and accruals	14	717,457	775,586
Bank and other borrowings		61,318,402	55,270,466
Corporate bonds		11,940,543	10,817,388
Lease liabilities		185,923	220,565
Provision for major overhauls		496,471	415,532
Deferred income		1,010,296	1,206,712
Deferred tax liabilities		4,939,752	5,034,803
Total non-current liabilities		80,608,844	73,741,052
Current liabilities:			
Trade payables	15	22,559,881	22,638,089
Other payables and accruals	14	9,230,820	10,570,256
Income tax payables		1,323,241	1,432,226
Bank and other borrowings		7,674,771	8,554,871
Corporate bonds		3,259,822	7,452,619
Lease liabilities		60,137	93,097
Total current liabilities		44,108,672	50,741,158
TOTAL LIABILITIES		124,717,516	124,482,210
TOTAL EQUITY AND LIABILITIES		181,848,521	183,945,711

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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	Shares held	Share	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 instruments (unaudited) HK\$'000	Total instruments (unaudited) HK\$'000	Perpetual capital instruments (unaudited) HK\$'000		Non-controlling interests (unaudited) HK\$'000
				under share	option and												
				award scheme (unaudited) HK\$'000	share award reserve (unaudited) HK\$'000												
At 1 January 2023	1,004,661	2,736,536	4,105,569	(156,364)	182,122	(1,818,719)	122,482	(555,945)	(55,861)	(4,171,570)	3,812,872	27,486,859	1,187,358	33,880,000	2,824,292	22,759,209	59,463,501
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,530,706	25,832	1,556,538	52,217	615,843	2,224,598
Other comprehensive income/(loss) for the period:																	
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	-	(3,216,135)	-	-	-	(3,216,135)	(122,795)	(1,205,218)	(4,544,148)
Release upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	5,346	-	-	-	5,346	-	-	5,346
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	-	-	111	-	-	-	-	111	-	-	111
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	(35,154)	-	-	-	-	-	(35,154)	-	-	(35,154)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	(35,154)	111	(3,210,789)	-	1,530,706	25,832	(1,689,294)	(70,578)	(589,375)	(2,349,247)
Exercise of share awards	-	-	-	63,406	(42,462)	-	-	-	-	-	-	(20,944)	-	-	-	-	-
Lapses of share options	-	-	-	-	(123,345)	-	-	-	-	-	-	123,345	-	-	-	-	-
Share of reserves of associates	-	-	-	-	183	(129)	-	-	-	-	-	-	-	54	-	-	54
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(134,086)	(134,086)
Distributions declared to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	(25,832)	(25,832)	(52,217)	-	(78,049)
Issuance of a perpetual capital instrument	-	-	-	-	-	-	-	-	-	-	-	-	1,106,394	1,106,394	-	-	1,106,394
Final 2022 cash dividend paid	-	-	-	-	-	-	-	-	-	-	-	(874,055)	-	(874,055)	-	-	(874,055)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,507)	(3,507)
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	352,897	(352,897)	-	-	-	-	-
At 30 June 2023	1,004,661	2,736,536*	4,105,569*	(92,958)*	16,498*	(1,818,848)*	122,482*	(591,099)*	(55,750)*	(7,382,359)*	4,165,769*	27,893,014*	2,293,752	32,397,267	2,701,497	22,032,241	57,131,005

* These reserve accounts comprise the consolidated reserves of HK\$29,098,854,000 (unaudited) (31 December 2022: HK\$31,687,981,000) in the condensed consolidated statement of financial position as at 30 June 2023.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to shareholders of the Company																
	Issued capital (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Shares held under share award scheme (unaudited) HK\$'000	Share option and share award reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Property revaluation reserve (unaudited) HK\$'000	Fair value reserve (unaudited) HK\$'000	Defined benefit plan reserve (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	PRC reserve funds (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Perpetual capital instrument (unaudited) HK\$'000	Total (unaudited) HK\$'000	Perpetual capital instruments (unaudited) HK\$'000	Non-controlling interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000
At 1 January 2022	1,013,582	2,891,059	4,105,569	(113,927)	139,761	(1,272,565)	122,482	(140,732)	(51,057)	759,407	3,293,484	28,065,411	1,216,904	40,029,378	3,034,399	20,484,977	63,548,754
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	670,550	23,479	694,029	55,355	658,685	1,408,079
Other comprehensive income/(loss) for the period:																	
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	-	(2,796,117)	-	-	(29,546)	(2,825,663)	(110,426)	(735,835)	(3,671,924)
Released upon disposal	-	-	-	-	-	-	-	-	-	(157)	-	-	-	(157)	-	-	(157)
Exchange reserve released upon deemed disposal of partial interest in an associate	-	-	-	-	-	-	-	-	-	(9,918)	-	-	-	(9,918)	-	-	(9,918)
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	-	-	2,678	-	-	-	-	2,678	-	-	2,678
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	14,562	-	-	-	-	-	14,562	-	-	14,562
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	14,562	2,678	(2,806,192)	-	670,550	(6,067)	(2,124,469)	(55,071)	(77,140)	(2,256,680)	
Exercise of share awards	-	-	-	505	(424)	-	-	-	-	-	-	(81)	-	-	-	-	-
Shares purchased for share award scheme	-	-	-	(12,355)	-	-	-	-	-	-	-	-	-	(12,355)	-	-	(12,355)
Share of reserves of associates	-	-	-	-	323	(119,771)	-	-	-	-	-	-	-	(119,448)	-	-	(119,448)
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(96,295)	(96,295)
Capital contributions from non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70,983	70,983
Distributions declared to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	(23,479)	(23,479)	(55,355)	-	(78,834)
Final 2021 cash dividend paid	-	-	-	-	-	-	-	-	-	-	-	(679,100)	-	(679,100)	-	-	(679,100)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,613,590	2,613,590
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	305	305
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	188,507	(188,507)	-	-	-	-	-
At 30 June 2022	1,013,582	2,891,059	4,105,569	(125,777)	139,660	(1,392,336)	122,482	(126,170)	(48,379)	(2,046,785)	3,481,991	27,868,273	1,187,358	37,070,527	2,923,973	22,996,420	62,990,920

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated/(used in) from operations	(5,334)	1,227,165
Hong Kong profits tax paid	–	(1,303)
Mainland China corporate income tax paid	(412,387)	(457,118)
Overseas taxes paid	(23,538)	(18,382)
Net cash flows from/(used in) operating activities	(441,259)	750,362
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(654,524)	(695,972)
Additions of operating concession	(724,627)	(90,118)
Additions of other intangible assets	(25,027)	–
Acquisition of subsidiaries	–	1,281,483
Disposal of subsidiaries	48,969	4,878
Proceeds from disposal of items of property, plant and equipment	3,830	–
Purchases of equity investments designated at fair value through other comprehensive income	–	(199,933)
Increase in investments in joint ventures	(456)	–
Acquisition of/increase in investments in associates	(909)	(384,599)
Redemption of asset-backed notes	–	(666,468)
Increase in time deposits with maturity of more than three months when acquired	(32,825)	(176,507)
Decrease/(increase) in restricted cash and pledged deposits	262,684	(189,802)
Bank interest received	115,082	171,758
Other investing cash flows, net	157,908	(4,763)
Net cash flows used in investing activities	(849,895)	(950,043)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions from non-controlling equity holders	–	70,983
Issuance of a perpetual capital instrument	1,106,394	–
Issuance of corporate bonds	2,716,641	2,352,941
Repayment of corporate bonds	(5,212,614)	–
New bank and other borrowings	15,910,000	8,437,111
Repayment of bank and other borrowings	(9,395,585)	(4,577,907)
Shares purchased for the share award scheme	–	(12,355)
Principal portion of lease payments	(71,775)	(13,548)
Interest paid	(1,589,952)	(1,365,573)
Dividends paid	(874,055)	(679,100)
Dividends paid to non-controlling equity holders	(134,086)	(96,295)
Other financing cash flows, net	(78,049)	(50,093)
Net cash flows from financing activities	2,376,919	4,066,164
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	13,116,585	10,678,848
Effect of foreign exchange rate changes, net	(760,182)	(495,945)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13,442,168	14,049,386
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	13,522,265	14,289,740
Less: Time deposits with maturity of more than three months when acquired	(80,097)	(240,354)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	13,442,168	14,049,386

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 2023, the Company and its subsidiaries (collectively the “Group”) was involved in the following principal activities:

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

1.2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2023 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 in 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 2022. 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 2022, except for the changes in accounting policies made thereafter in adopting the new and 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.

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 2023

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 2022, except for the adoption of the following new and revised HKFRSs for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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

- (c) Amendments to HKAS 12 *Deferred Tax* related to *Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The adoption of the amendments has had no significant impact on the Group's unaudited interim condensed consolidated financial information.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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 and an associate, loss on deemed disposal of partial interest in an associate, gain on bargain purchase of subsidiaries, 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 2023

2. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2023

	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	Urban resources services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue <i>(note 3)</i>	8,441,429	1,553,237	1,194,977	2,541,144	13,730,787
Cost of sales	(5,136,103)	(871,873)	(731,926)	(1,956,193)	(8,696,095)
Gross profit	3,305,326	681,364	463,051	584,951	5,034,692
Segment results:					
The Group	3,429,152	591,785	278,505	365,217	4,664,659
Share of profits and losses of:					
Joint ventures	224,194	97,496	(9,539)	(1,127)	311,024
Associates	8,552	125	(2,355)	–	6,322
	3,661,898	689,406	266,611	364,090	4,982,005
Corporate and other unallocated income and expenses, net					(443,746)
Share of profits of joint ventures and associates					66,413
Finance costs					(1,752,952)
Profit before tax					2,851,720
Income tax expense					(627,122)
Profit for the period					2,224,598
Profit for the period attributable to shareholders of the Company:					
Operating segments	2,989,130	510,602	214,752	79,400	3,793,884
Corporate and other unallocated items					(2,237,346)
					1,556,538

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

2. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2022

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

2. OPERATING SEGMENT INFORMATION *(Continued)*

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

30 June 2023

	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>	Urban resources services (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment assets:					
Operating segments	118,234,334	25,174,474	11,187,360	8,135,627	162,731,795
Corporate and other unallocated items					19,116,726
					181,848,521

31 December 2022

	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>	Urban resources services (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
Segment assets:					
Operating segments	119,252,635	26,080,950	10,875,164	8,545,099	164,753,848
Corporate and other unallocated items					19,191,863
					183,945,711

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

2. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue from external customers:		
Mainland China	13,012,265	9,926,751
Elsewhere	718,522	719,188
	13,730,787	10,645,939

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

Information about major customers

During the six months ended 30 June 2023, the Group had no transaction with any single external customer which contributed over 10% of the Group's total revenue for the period (six months ended 30 June 2022: Nil).

3. REVENUE

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

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue from contracts with customers		
Sewage and reclaimed water treatment services	4,773,570	4,942,237
Construction services	3,667,859	3,051,915
Water distribution services	1,553,237	1,561,979
Technical and consultancy services and sales of machineries	1,194,977	1,089,808
Environmental hygiene services	2,166,830	–
Hazardous waste treatment services and sale of refined chemical and other products	374,314	–
	13,730,787	10,645,939

Imputed interest income under service concession arrangements amounting to HK\$1,730,314,000 (six months ended 30 June 2022: HK\$1,614,279,000) is included in the above revenue.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

3. REVENUE *(Continued)*

Revenue from contracts with customers

Disaggregated revenue information

Revenue of sewage and reclaimed water treatment services, construction services, technical and consultancy services and environmental hygiene services are recognised over time. Revenue of water distribution services, hazardous waste treatment services and sales of machineries, refined chemical and other products 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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of sewage and reclaimed water treatment services rendered	1,927,634	1,905,121
Cost of construction services	3,000,236	2,477,525
Cost of water distribution services	824,930	776,782
Cost of technical and consultancy services rendered and machineries sold	731,926	659,075
Cost of environmental hygiene services	1,650,402	–
Cost of hazardous waste treatment services and sale of refined chemical and other products	305,791	–
Depreciation of property, plant and equipment	442,595	178,845
Depreciation of right-of-use assets	41,480	22,562
Amortisation of operating concessions*	255,176	219,724
Amortisation of other intangible assets*	29,835	23,853

* *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 2023

5. FINANCE COSTS

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest on bank and other loans	1,493,278	1,010,506
Interest on corporate bonds	349,329	392,325
Interest on notes payable	–	73,893
Interest on lease liabilities	5,051	2,666
Total interest expense	1,847,658	1,479,390
Increase in discounted amounts of provision for major overhauls arising from the passage of time	26,952	21,021
Total finance costs	1,874,610	1,500,411
Less: Interest included in cost of construction services	(121,658)	(77,053)
	1,752,952	1,423,358

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 2023 (six months ended 30 June 2022: 16.5%).

The income tax provisions in respect of operations in Mainland China and other countries are calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions because (1) these companies are engaged in the operations of environmental protection, energy and water conservation; 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 2023

6. INCOME TAX EXPENSE *(Continued)*

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current – Hong Kong	3,566	4,706
Current – Mainland China	404,441	318,819
Current – Elsewhere	17,507	19,613
Deferred	201,608	192,270
Total tax expense for the period	627,122	535,408

7. INTERIM DIVIDEND

On 29 August 2023, the Board declared an interim cash dividend of HK7.0 cents (six months ended 30 June 2022: HK7.0 cents) per ordinary share amounting to a total of approximately HK\$703,263,000 (six months ended 30 June 2022: HK\$708,706,000).

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to shareholders of the Company, adjusted to reflect the distribution related to the perpetual capital instruments, for the six months ended 30 June 2023, and the weighted average number of 10,046,609,871 (six months ended 30 June 2022: 10,135,821,871) ordinary shares in issue less the weighted average number of 48,757,534 (six months ended 30 June 2022: 33,551,979) 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 instruments 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 2023

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's additions of property, plant and equipment amounted to HK\$515,026,000 (six months ended 30 June 2022: HK\$695,972,000). There were disposals of property, plant and equipment with an aggregate carrying amount of HK\$3,849,000 (six months ended 30 June 2022: HK\$519,000) during the six months ended 30 June 2023.

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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Billed:		
Within 3 months	3,279,034	3,255,421
4 to 6 months	1,441,525	2,055,861
7 to 12 months	2,625,420	1,134,759
Over 1 year	1,274,306	1,341,981
	8,620,285	7,788,022
Unbilled:		
Non-current portion*	55,219,116	58,470,512
Total	63,839,401	66,258,534

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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, urban resources services and sale of machineries. The Group's trading terms with its customers are mainly on credit and each customer has a maximum credit limit. The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one month to three months, except for customers of the construction services for comprehensive renovation projects, who will settle the amounts owed to the Group in a number of specified instalments covering periods ranging from 1 year to 25 years. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Apart from the trade receivables of certain construction services for comprehensive renovation projects which bear interest at rates ranging from 4.8% to 15.0% (31 December 2022: 4.8% to 15.0%) per annum, all other trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date or revenue recognition date (when the invoices had yet been issued by then) and net of loss allowance, is as follows:

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Billed:		
Within 3 months	4,063,787	3,846,268
4 to 6 months	1,545,038	1,825,015
7 to 12 months	2,106,852	2,260,847
Over 1 year	3,225,788	3,083,294
Balance with extended credit period	32,263	33,729
	10,973,728	11,049,153
Unbilled*	11,973,845	12,814,964
	22,947,573	23,864,117
Portion classified as current assets	(10,941,465)	(11,015,424)
Non-current portion	12,006,108	12,848,693

* 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 service agreements entered into between the Group and the contract customers.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Prepayments	634,223	748,404
Deposits and other debtors	5,765,331	5,676,277
Advances to subcontractors and suppliers	3,319,249	3,465,091
Due from joint ventures	1,244,429	1,327,191
Due from associates	48,211	143,461
Due from non-controlling equity holders	241,773	244,448
Due from other related parties	276,068	270,804
	11,529,284	11,875,676
Impairment	(981,915)	(1,027,345)
	10,547,369	10,848,331
Portion classified as current assets	(9,177,004)	(9,273,417)
	1,370,365	1,574,914
Non-current portion	1,370,365	1,574,914

13. SHARE CAPITAL

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
<i>Issued and fully paid:</i>		
10,046,609,871 ordinary shares of HK\$0.10 each	1,004,661	1,004,661

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

13. SHARE CAPITAL *(Continued)*

A summary of the movements in the Company's issued share capital during the six months ended 30 June 2023 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 2023 and 30 June 2023	10,046,609,871	1,004,661	2,736,536	3,741,197

14. OTHER PAYABLES AND ACCRUALS

	30 June 2023 (Unaudited) <i>HK\$'000</i>	31 December 2022 (Audited) <i>HK\$'000</i>
Accruals	1,132,643	1,352,584
Other liabilities	3,976,683	5,138,846
Contract liabilities	1,486,120	1,482,489
Due to subcontractors	821,669	899,682
Due to joint ventures	1,394,028	1,327,332
Due to associates	51,516	70,262
Due to related parties	249,938	225,826
Other taxes payables	835,680	848,821
	9,948,277	11,345,842
Portion classified as current liabilities	(9,230,820)	(10,570,256)
Non-current portion	717,457	775,586

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within 3 months	8,500,680	9,413,357
4 to 6 months	1,399,331	1,665,679
7 months to 1 year	1,551,089	1,609,412
1 to 2 years	4,317,551	5,412,642
2 to 3 years	3,307,600	1,858,937
Over 3 years	3,336,857	2,524,601
Balance with extended credit period	146,773	153,461
	22,559,881	22,638,089

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

16. CONTINGENT LIABILITIES

Guarantees

As at 30 June 2023, bank guarantees in favour of employers in lieu of deposits for project bidding and project performance of HK\$1,840,445,000 (31 December 2022: HK\$1,832,133,000) were outstanding and corporate guarantees of HK\$2,275,548,000 (31 December 2022: HK\$2,593,904,000) were given to banks and/or institutional investors in connection with facilities granted to certain associates, joint ventures and bonds issued by joint ventures.

Save as disclosed above, at 30 June 2023, the Group did not have any significant contingent liabilities.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Within one year	5,564	7,211
In the second to fifth years, inclusive	8,725	10,516
After 5 years	3,994	4,176
	18,283	21,903

18. CAPITAL COMMITMENTS

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

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Contracted, but not provided for		
New service concession arrangements on:		
Transfer-Operate-Transfer basis	243,015	886,346
Build-Operate-Transfer basis	6,747,618	7,866,649
Build-Own-Operate basis	21,739	34,091
Capital contribution to joint ventures	9,793,925	10,239,103
	16,806,297	19,026,189

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Contracted, but not provided for	2,512,870	2,215,266

Save as disclosed above, at 30 June 2023, 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 2023 and outstanding balances with related parties as at 30 June 2023:
- (i) Included in the amounts due from joint ventures of the Group as at 30 June 2023 was an advance to a joint venture of US\$15,390,000, (equivalent to HK\$120,596,000) (31 December 2022: US\$26,390,000 (equivalent to HK\$205,755,000)). The amount is unsecured, bearing floating interest at the London Interbank Offered Rate plus 1.5% per annum, and repayable on demand. Interest income of HK\$4,722,000 (six months ended 30 June 2022: HK\$2,170,000) was recognised in profit or loss during the six months ended 30 June 2023.
 - (ii) Included in the trade receivables of the Group as at 30 June 2023 was an aggregate amount of HK\$2,594,000 (31 December 2022: HK\$2,718,000) 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 balance is unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.
 - (iii) Included in the trade payables of the Group as at 30 June 2023 was an amount of HK\$3,409,000 (31 December 2022: HK\$3,464,000) 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 2023 (six months ended 30 June 2022: Nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

19. RELATED PARTY DISCLOSURES *(Continued)*

- (a) The Group had the following material transactions during the six months ended 30 June 2023 and outstanding balances with related parties as at 30 June 2023: *(Continued)*
- (iv) A loan and related interest receivables of RMB52,854,000 (equivalent to HK\$57,450,000) (31 December 2022: RMB52,854,000 (equivalent to HK\$60,061,000)) were provided to a non-controlling equity holder of a subsidiary. The balance is unsecured, bears of the benchmark interest rate for 3 to 5-year RMB loans published by the People's Bank of China increased by 25% per annum and is repayable on demand and is classified as a current asset.
 - (v) Included in the amounts due to related parties of the Group as at 30 June 2023 was an advance from a related party of SGD15,205,000 (equivalent to HK\$88,135,000) (31 December 2022: SGD14,397,000 (equivalent to HK\$84,794,000)). 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\$1,047,000 (six months ended 30 June 2022: HK\$996,000) was recognised in profit or loss during the six months ended 30 June 2023.
 - (vi) The Group had provided management services to joint ventures of the Group for RMB11,103,000 (equivalent to HK\$12,617,000) (six months ended 30 June 2022: RMB11,823,000 (equivalent to HK\$14,257,000)) and the fee was charged based on terms mutually agreed between the Group and the joint ventures during the six months ended 30 June 2023.
 - (vii) The Group had leased certain office premises to an associate of the Group for RMB2,597,000 (equivalent to HK\$2,952,000) (six months ended 30 June 2022: RMB4,756,300 (equivalent to HK\$5,730,500)) which were charged based on terms mutually agreed between the Group and the associate during the six months ended 30 June 2023.
 - (viii) For the period ended 30 June 2023, 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 fee of HK\$792,000 (MYR451,000) (six months ended 30 June 2022: HK\$9,096,000) (MYR4,977,000) which was charged according to the published prices and conditions offered by the related company to its major customer.
 - (ix) The Group had provided construction services for comprehensive renovation projects located in Fuzhou City in the PRC to a joint venture of the Group for an aggregate amount of RMB18,910,000 (equivalent to HK\$21,489,000) (six months ended 30 June 2022: RMB16,581,000 (equivalent to HK\$19,977,000)) during the six months ended 30 June 2023 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 2023

19. RELATED PARTY DISCLOSURES *(Continued)*

- (a) The Group had the following material transactions during the six months ended 30 June 2023 and outstanding balances with related parties as at 30 June 2023: *(Continued)*
- (x) On 23 December 2020, the Company and Beijing Enterprises Group Finance Co. Ltd. (“BG Finance”) entered into a 2020 deposit services master agreement (the “2020 Deposit Agreement”) whereby the Company and BG Finance continue to carry out the transactions of similar nature from time to time under the 2020 Deposit Agreement for three years from 1 January 2021 to 31 December 2023, with the terms and conditions substantially the same as those under the deposit services master agreements and its supplemental agreements signed by both parties in 2015 and 2017. BG Finance is a non-wholly owned subsidiary of BEGCL and an associate of BEHL and acts as a platform for members of BEGCL and BEHL for the provision of intra-group facilities through financial products including deposit-taking, money lending and custodian services.

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

The deposits placed by the Group with BG Finance as at the end of the reporting period amounted to HK\$1,371,004,000 (31 December 2022: HK\$1,379,904,000). The related interest income recognised in profit or loss during the period was not significant to the Group.

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

Bank and other borrowings borrowed from BG Finance by the Group as at the end of the reporting period amounted to HK\$4,882,559,000 (31 December 2022: HK\$5,162,656,000) and bear interest at floating rates ranging from 3.60% to 4.36% per annum (31 December 2022: from 3.80% to 4.65% per annum). The related interest expenses recognised in profit or loss during the six months ended 30 June 2023 and 2022 were not significant to the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

19. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following material transactions during the six months ended 30 June 2023 and outstanding balances with related parties as at 30 June 2023: *(Continued)*

- (xi) On 13 January 2020, the capital injection in cash by ABC Financial Asset Investment Co., Ltd* (農銀金融資產投資有限公司) (“ABC Financial”) into Beijing Enterprises (Guangxi) Holdings Co., Ltd.* (北控水務(廣西)集團有限公司) (the “Bei Kong Guangxi Capital Injection”), a subsidiary of the Group, was completed. Prior to completion of the Bei Kong Guangxi Capital Injection, the Group had entered into transactions with Agricultural Bank of China Limited* (中國農業銀行股份有限公司) (“ABC”) and its subsidiaries (“ABC Group”) relating to the provision of deposit services, settlement and other financial services. Upon completion of the Bei Kong Guangxi Capital Injection, ABC Financial holds 45.55% of Bei Kong Guangxi. As ABC is the ultimate controlling shareholder of ABC Financial, members of ABC Group have become connected persons of the Group. Hence, such transactions became continuing connected transactions of the Group following completion of the Bei Kong Guangxi Capital Injection pursuant to Chapter 14A of the Listing Rules. The maximum daily aggregate deposits placed by the Group with ABC Group (including any interest accrued thereon) for three financial years ending 31 December 2023 to 2025 shall not exceed RMB3,000,000,000 (equivalent to approximately HK\$3,260,870,000), respectively.

The deposits placed by the Group with ABC Group as at 30 June 2023 amounted to RMB176,711,000 (approximately HK\$192,077,000) (31 December 2022: RMB211,382,000 (approximately HK\$240,207,000)). The related interest income recognised in profit or loss during the current and prior periods were not significant to the Group.

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

Bank and other borrowings borrowed from ABC Group by the Group as at the end of the reporting period amounted to HK\$3,442,323,000 (31 December 2022: HK\$3,397,872,000) and bear interest at floating rates ranging from 3.3% to 4.15% per annum (31 December 2022: from 1.17% to 4.90% per annum). The related interest expenses recognised in profit or loss during the six months ended 30 June 2023 and 2022 were not significant to the Group.

* For identification purpose only

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

19. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following material transactions during the six months ended 30 June 2023 and outstanding balances with related parties as at 30 June 2023: *(Continued)*

(xii) On 19 August 2022, Beijing Daoxiang Water Resources Technology Co., Ltd. * (北京稻香水資源科技有限公司) (“Daoxiang”), a wholly-owned subsidiary of the Group, as borrower, entered into loan agreement with ABC, as lender, pursuant to which ABC agreed to grant the loan facility in a principal amount of RMB503,685,000 (equivalent to approximately HK\$547,484,000) to Daoxiang for a term of thirty years from the date of drawdown based on a floating interest rate equal to the relevant loan prime rate for a period longer than five years announced by the National Interbank Funding Centre on the date immediately preceding the drawdown date minus 0.85%.

The loan facility would be secured by the pledge of expected earnings right from Beijing Haidian Daoxiang Lake reclaimed water plant phase II project.

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

(xiii) On 26 August 2022, Jinan Beikong Water Development Co., Ltd.* (濟南北控水務發展有限公司) (“Jinan Beikong”), a wholly-owned subsidiary of the Group, as lessee, entered into finance lease agreement with BG Finance, as lessor, pursuant to which Jinan Beikong has agreed to transfer and change the registration of the ownership of the pre-treatment equipment including the procurement and installation of ultrafiltration and reverse osmosis membrane process (“Jinan Beikong Leased Assets”) under the name of BG Finance from Jinan Beikong for a transfer consideration of RMB23,000,000 (equivalent to approximately HK\$25,000,000), and BG Finance has then agreed to lease the Jinan Beikong Leased Assets to Jinan Beikong with the lease principal of RMB23,000,000 (equivalent to approximately HK\$25,000,000) and the lease interest of approximately RMB5,609,000 (equivalent to approximately HK\$6,374,000). Pursuant to the finance lease agreement, BG Finance has agreed to lease back the Jinan Beikong Leased Assets to Jinan Beikong for a term of 10 years. The rent is calculated and payable in RMB, which shall be payable in 20 consecutive instalments semi-annually.

Beijing Enterprises Water Group (China) Investment Limited* (北控水務(中國)投資有限公司) (“BEWG (China) Investment”), as the guarantor, has agreed to provide guarantee for debts arising under the financial lease agreement in favour of BG Finance.

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

* For identification purpose only

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

19. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following material transactions during the six months ended 30 June 2023 and outstanding balances with related parties as at 30 June 2023: *(Continued)*

(xiv) On 26 August 2022, Pucheng Gerui Water Purification Co., Ltd.* (蒲城格瑞水質淨化有限公司) (“Pucheng Gerui”), a wholly-owned subsidiary of the Group, as lessee, entered into finance lease agreement with BG Finance, as lessor, pursuant to which Pucheng Gerui has agreed to transfer and change the registration of the ownership of the Pucheng sewage treatment plant (“Pucheng Gerui Leased Assets”) under the name of BG Finance from Pucheng Gerui for a transfer consideration of RMB49,000,000 (equivalent to approximately HK\$53,261,000), and BG Finance has then agreed to lease the Pucheng Gerui Leased Assets to Pucheng Gerui with the lease principal of RMB49,000,000 (equivalent to approximately HK\$53,261,000) and the lease interest of approximately RMB11,951,000 (equivalent to approximately HK\$13,581,000). Pursuant to the finance lease agreement, BG Finance has agreed to lease back the Pucheng Gerui Leased Assets to Pucheng Gerui for a term of 10 years. The rent is calculated and payable in RMB, which shall be payable in 20 consecutive instalments semi-annually.

BEWG (China) Investment, as the guarantor, has agreed to provide guarantee for debts arising under the finance lease agreement in favour of BG Finance.

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

(xv) On 26 August 2022, Foshan Beikong Water Quality Treatment Co., Ltd.* (佛山北控水質處理有限公司) (“Foshan Beikong”), a non-wholly-owned subsidiary of the Group, as borrower, entered into loan agreement with BG Finance, as lender, pursuant to which BG Finance has agreed to grant loan facility in a principal amount of RMB240,000,000 (equivalent to approximately HK\$260,870,000) to Foshan Beikong for a term of eleven years from the date of drawdown based on a floating interest rate equal to the relevant loan prime rate for a period longer than five years announced by the National Interbank Funding Centre on the date immediately preceding the drawdown rate minus 0.5%.

The loan facility shall be secured by the pledge of expected earnings right given by Foshan Beikong under pledge agreement in favour of BG Finance and the guarantee given by BEWG (China) Investment in proportion to 80% shareholding in Foshan Beikong in favour of BG Finance.

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

* For identification purpose only

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

19. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following material transactions during the six months ended 30 June 2023 and outstanding balances with related parties as at 30 June 2023: *(Continued)*

- (xvi) On 22 March 2023, Anshan City Beishui Anda Water Development Co., Ltd. * (鞍山市北水鞍達水務發展有限公司) (“Beishui Anda”), a wholly-owned subsidiary of the Group, as borrower, entered into loan agreement with ABC, Anshan Tiedong sub-branch, as lender, pursuant to which ABC, Anshan Tiedong sub-branch agreed to grant the loan facility in a principal amount of RMB363,880,000 (equivalent to approximately HK\$395,522,000) to Beishui Anda for a term of twenty years from the date of drawdown based on a floating interest rate equal to the relevant loan prime rate for a period longer than five years announced by the National Interbank Funding Centre on the date immediately preceding the drawdown date minus 0.9%.

The loan facility shall be secured by the pledge of earnings right under concession agreement of Anshan City urban sewage treatment phase I project given by Beishui Anda under pledge agreement in favour of ABC, Anshan Tiedong sub-branch.

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

- (xvii) On 17 May 2023, Juye Beikong Chengbei Beishui Water Co., Ltd. * (巨野北控城北水務有限公司) (“Juye Beikong”), a non-wholly owned subsidiary of the Group, as borrower, entered into loan agreement with ABC, Juye sub-branch, as lender, pursuant to which ABC, Juye sub-branch agreed to grant the loan facility in a principal amount of RMB258,000,000 (equivalent to approximately HK\$280,435,000) to Juye Beikong for a term of fifteen years from the date of drawdown based on a floating interest rate equal to the relevant loan prime rate for a period longer than five years announced by the National Interbank Funding Centre on the date immediately preceding the drawdown date minus 0.75%.

The loan facility shall be secured by the pledge of accounts receivable from Juye Province sewage treatment construction project (Chengbei) Public Private Partnership project given by Juye Beikong under pledge agreement in favour of ABC, Juye sub-branch.

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

* *For identification purpose only*

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

19. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following material transactions during the six months ended 30 June 2023 and outstanding balances with related parties as at 30 June 2023: *(Continued)*

(xviii) On 18 May 2023, Beikong (Hangzhou) Environmental Engineering Co. Ltd. * (北控(杭州)环境工程有限公司) (“Beikong Hangzhou”), a non-wholly owned subsidiary of the Group, as borrower, entered into loan agreement with BG Finance, as lender, pursuant to which BG Finance agreed to grant the loan facility in a principal amount of RMB140,000,000 (equivalent to approximately HK\$152,174,000) to Beikong Hangzhou for a term of fifteen years from the date of drawdown based on a floating interest rate equal to the relevant loan prime rate for a period longer than five years announced by the National Interbank Funding Centre on the date immediately preceding the drawdown date minus 0.8%.

The loan facility shall be secured by the pledge of the earning right for equipment installation project for the construction of the second stage of the fourth phase of Yuhang project, given by Beikong Hangzhou under pledge agreement in favour of BG Finance.

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

* *For identification purpose only*

(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 2023

19. RELATED PARTY DISCLOSURES *(Continued)*

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK'000	HK'000
Short term employee benefits	10,012	13,094
Pension scheme contributions	131	126
Total compensation paid to key management personnel	10,143	13,220

Save as disclosed above, at 30 June 2023, 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 2023

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 2023 (Unaudited)				
Investment properties	–	–	674,972	674,972
Financial assets at fair value through profit or loss	–	–	12,271	12,271
Equity investments designated at fair value through other comprehensive income	127,133	62,280	645,869	835,282
Total	127,133	62,280	1,333,112	1,522,525
At 31 December 2022 (Audited)				
Investment properties	–	–	701,651	701,651
Equity investments designated at fair value through other comprehensive income	167,237	62,280	671,357	900,874
Total	167,237	62,280	1,373,008	1,602,525

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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

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 2022: the fair value measurement of a listed equity investment designated at fair value through other comprehensive income amounting to HK\$418,960,000 was transferred from Level 1 to Level 3).

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.

21. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 30 June 2023 amounted to HK\$1,367,213,000 (unaudited) (31 December 2022: net current liabilities of HK\$4,155,323,000) and HK\$137,739,849,000 (unaudited) (31 December 2022: HK\$133,204,553,000), respectively.

22. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform to the current period's presentation.

23. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

These unaudited condensed consolidated financial information were approved and authorised for issue by the board of directors on 29 August 2023.

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2023, 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	Capacity	Total Interests in number of ordinary shares of the Company	Approximate percentage of the issued share capital of the Company <i>(Note 2)</i>
Mr. Zhou Min	<i>Note 1</i>	370,958,118	3.6924%
Mr. Li Haifeng	Beneficial Owner	22,136,786	0.2203%
Mr. Tung Woon Cheung Eric	Beneficial Owner	469,980	0.0047%
Mr. Li Li	Beneficial Owner	2,253,708	0.0224%

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

Associated corporation	Name of Directors	Capacity	Total Interests in number of ordinary shares of the associated corporation	Approximate percentage of the issued share capital of the associated corporation <i>(Note 5)</i>
Beijing Enterprises Urban Resources Group Limited ("BEURG")	Mr. Zhou Min	<i>Note 3</i>	2,439,980,777	67.78%
	Mr. Li Haifeng	<i>Note 4</i>	2,439,980,777	67.78%

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS *(Continued)*

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

(Continued)

Notes:

1. Mr. Zhou Min was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 370,958,118 ordinary shares of HK\$0.10 each in the share capital of the Company ("Shares") as at 30 June 2023. These shares were held in the following capacity:
 - a. 60,167,240 Shares were held in a beneficial owner capacity.
 - b. 307,676,110 Shares and 3,114,768 Shares were held by Tenson Investment Limited and Star Colour Investments Limited ("Star Colour"), respectively, both of which are wholly and beneficially owned by Mr. Zhou Min, the chief executive officer and an executive director of the Company.
2. The percentage represented the number of Shares over the total issued Shares of the Company as at 30 June 2023 of 10,046,609,871 Shares.
3. Mr. Zhou Min was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 2,439,980,777 ordinary shares of BEURG of HK\$0.10 each ("BEURG Shares") as at 30 June 2023. These BEURG Shares were held in the following capacity:
 - a. 490,476,000 BEURG Shares were held by Star Colour which is wholly and beneficially owned by Mr. Zhou Min, the chief executive officer and an executive director of the Company.
 - b. 1,949,504,777 BEURG Shares were held by the Company, Beijing Holdings Limited ("BHL"), Long March Holdings Limited, Zhihua Investments Limited, Maolin Investments Limited ("MIL"), Mr. Li Haifeng, Mr. Zhou Chen and ZGC International Holding Limited which entered into an acting in concert agreement (the "AIC Agreement") with Star Colour (together referred to as the "Concert Parties") on 10 May 2022. Pursuant to the AIC Agreement, the Concert Parties are acting in concert in respect of their interests in BEURG and therefore each of the Concert Parties is deemed to be interested in all the shares held by them in aggregate under the SFO. As at 30 June 2023, each of the Concert Parties was deemed to be interested in an aggregate of 2,439,980,777 BEURG Shares, representing approximately 67.78% of the issued share capital of the BEURG. Details of the AIC Agreement are set out in the announcement of the Company dated 10 May 2022.
4. Mr. Li Haifeng was deemed (by virtue of the Securities and Futures Ordinance) to be interested in 2,439,980,777 BEURG Shares as at 30 June 2023. These BEURG Shares were held in the following capacity:
 - a. 1,840,000 BEURG Shares were held in a beneficial owner capacity.
 - b. 48,960,000 BEURG Shares were held by MIL which is wholly and beneficially owned by Mr. Li Haifeng, an executive director of the Company.
 - c. 2,389,180,777 BEURG Shares were held by the Company, BHL, Star Colour, Long March Holdings Limited, Zhihua Investments Limited, Mr. Zhou Chen and ZGC International Holding Limited which entered into the AIC Agreement with Mr. Li Haifeng and MIL on 10 May 2022. Pursuant to the AIC Agreement, the Concert Parties are acting in concert in respect of their interests in BEURG and therefore each of the Concert Parties is deemed to be interested in all the shares held by them in aggregate under the SFO. As at 30 June 2023, each of the Concert Parties was deemed to be interested in an aggregate of 2,439,980,777 BEURG Shares, representing approximately 67.78% of the issued share capital of the BEURG. Details of the AIC Agreement are set out in the announcement of the Company dated 10 May 2022.
5. The percentage represented the number of BEURG Shares over the total issued shares of BEURG as at 30 June 2023 of 3,600,000,000 shares.

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS *(Continued)*

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

(Continued)

(iii) Long positions in share options of the Company

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

(iv) Long position in awarded shares of the Company

The interests of the Directors in the awarded shares of the Company are separately disclosed in the section "Share Award Scheme" below.

Save as disclosed above, as at 30 June 2023, there were no interest or short position of the directors or chief executives of the Company in the Shares, the underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), that are required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

Directors' Right to Acquire Shares

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

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

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS *(Continued)*

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2023, so far as was known to the directors or chief executives of the Company, the following persons (not being a director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

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

Substantial Shareholders	Capacity	Total Interests in number of ordinary shares of the Company	Approximate percentage of the issued share capital of the Company <i>(Note 8)</i>
Beijing Enterprises Environmental Construction Limited ("BE Environmental")	Beneficial Owner	4,121,604,070	41.03%
Beijing Enterprises Holdings Limited ("BEHL")	Beneficial Owner/Interest of controlled corporation	4,132,107,070 <i>(Note 1)</i>	41.13%
Modern Orient Limited ("MOL")	Interest of controlled corporation	4,132,107,070 <i>(Note 2)</i>	41.13%
Beijing Enterprises Investments Limited ("BEIL")	Interest of controlled corporation	4,132,107,070 <i>(Note 2)</i>	41.13%
Beijing Enterprises Group (BVI) Company Limited ("BE Group (BVI)")	Interest of controlled corporation	4,132,107,070 <i>(Note 3)</i>	41.13%
Beijing Enterprises Group Company Limited ("BEGCL")	Interest of controlled corporation	4,174,239,070 <i>(Note 4)</i>	41.55%
Three Gorges Capital Holdings (HK) Co., Limited ("TGC HK")	Beneficial Owner	515,952,000	5.14%
Three Gorges Capital Holdings Co., Ltd ("TGC")	Interest of controlled corporation	515,952,000 <i>(Note 5)</i>	5.14%
Yangtze Ecology and Environment (HK) Investment Limited ("YEE HK")	Beneficial Owner	872,121,436	8.68%
Yangtze Ecology and Environment Co., Ltd. ("YEE")	Interest of controlled corporation	872,121,436 <i>(Note 6)</i>	8.68%
China Three Gorges Corporation ("CTG")	Interest of controlled corporation	1,588,495,436 <i>(Note 7)</i>	15.81%

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 10,503,000 Shares directly owned by BEHL and 4,121,604,070 Shares owned by BE Environmental. BE Environmental beneficially holds 4,121,604,070 Shares (representing approximately 41.03% 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 10,503,000 Shares directly owned by BEHL and 4,121,604,070 Shares owned through BE Environmental. MOL and BEIL are the immediate shareholders of BEHL and collectively hold approximately 20.93% 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 41.12% 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 42,132,000 Shares owned by BHL. 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 5.14% 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 8.68% 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 30% by CTG, 30% by Yangtze Three Gorges Investment Management Co., Ltd. and 10% by China Yangtze Power Co., Ltd. ("CYP"). CYP is directly held as to 50.45% by CTG and 3.72% by China Three Gorges Construction Engineering Corporation, a direct wholly-owned subsidiary of CTG; (ii) 200,422,000 Shares owned by China Yangtze Power International (Hongkong) Co., Ltd., a direct wholly-owned subsidiary of CYP; and (iii) 872,121,436 Shares owned by YEE HK, a direct wholly-owned subsidiary of YEE, which is in turn directly held as to 100% by CTG.
8. The percentage represented the number of Shares over the total issued Shares of the Company as at 30 June 2023 of 10,046,609,871 Shares.

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any persons (other than the directors or the chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME

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

The total number of shares available for issue under the Scheme was 2,000,000 Shares in respect of all outstanding share options which remain exercisable, representing approximately 0.02% of the ordinary Shares of the Company in issue as at 30 June 2023.

During the six months ended 30 June 2023, 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 2023	Grant Date	Exercisable Period	Exercise Price HK\$	Weighted Average Closing price per Share HK\$
	As at 1 January 2023	Granted	Exercised	Lapsed	Cancelled					
Directors										
Tung Woon Cheung Eric	1,800,000	–	–	(1,800,000)	–	–	24/4/2013	24/4/2014 – 23/4/2023	2.244	–
	1,800,000	–	–	(1,800,000)	–	–	24/4/2013	24/4/2015 – 23/4/2023	2.244	–
	1,800,000	–	–	(1,800,000)	–	–	24/4/2013	24/4/2016 – 23/4/2023	2.244	–
	1,800,000	–	–	(1,800,000)	–	–	24/4/2013	24/4/2017 – 23/4/2023	2.244	–
	1,800,000	–	–	(1,800,000)	–	–	24/4/2013	24/4/2018 – 23/4/2023	2.244	–
	9,000,000	–	–	(9,000,000)	–	–				
Li Li	1,180,000	–	–	(1,180,000)	–	–	24/4/2013	24/4/2015 – 23/4/2023	2.244	–
	3,840,000	–	–	(3,840,000)	–	–	24/4/2013	24/4/2016 – 23/4/2023	2.244	–
	3,840,000	–	–	(3,840,000)	–	–	24/4/2013	24/4/2017 – 23/4/2023	2.244	–
	3,840,000	–	–	(3,840,000)	–	–	24/4/2013	24/4/2018 – 23/4/2023	2.244	–
	12,700,000	–	–	(12,700,000)	–	–				
Zhang Gaobo (resigned as an independent non-executive director on 16 June 2023)	400,000	–	–	(400,000)	–	–	24/4/2013	24/4/2017 – 23/4/2023	2.244	–
	400,000	–	–	(400,000)	–	–	24/4/2013	24/4/2018 – 23/4/2023	2.244	–
	800,000	–	–	(800,000)	–	–				

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME *(Continued)*

Category of Participants/ Name	Number of Share Options					As at 30 June 2023	Grant Date	Exercisable Period	Exercise Price HK\$	Weighted Average Closing price per Share HK\$
	As at 1 January 2023	Granted	Exercised	Lapsed	Cancelled					
Guo Rui	400,000	-	-	(400,000)	-	-	24/4/2013	24/4/2018 – 23/4/2023	2.244	-
	400,000	-	-	(400,000)	-	-				
Sub-total	22,900,000	-	-	(22,900,000)	-	-				
Eligible Participants including Employees										
In aggregate	7,996,000 <i>(Note 1 & 2)</i>	-	-	(7,996,000)	-	-	24/4/2013	24/4/2014 – 23/4/2023	2.244	-
	19,104,000 <i>(Note 1 & 2)</i>	-	-	(19,104,000)	-	-	24/4/2013	24/4/2015 – 23/4/2023	2.244	-
	21,100,000 <i>(Note 1 & 2)</i>	-	-	(21,100,000)	-	-	24/4/2013	24/4/2016 – 23/4/2023	2.244	-
	33,780,000 <i>(Note 1 & 2)</i>	-	-	(33,780,000)	-	-	24/4/2013	24/4/2017 – 23/4/2023	2.244	-
	35,620,000 <i>(Note 1 & 2)</i>	-	-	(35,620,000)	-	-	24/4/2013	24/4/2018 – 23/4/2023	2.244	-
	2,000,000	-	-	-	-	2,000,000	28/3/2014	1/6/2016 – 27/3/2024	5.180	-
Sub-total	119,600,000	-	-	(117,600,000)	-	2,000,000				
Total	142,500,000	-	-	(140,500,000)	-	2,000,000				

Note:

- Mr. Wang Kaijun resigned as an independent non-executive director of the Company on 31 August 2022. In this respect, the share options granted to Mr. Wang Kaijun were re-classified under the category of "Eligible Participants including Employees".
- 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 2023.

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

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME *(Continued)*

As at 30 June 2023, the Company had 2,000,000 share options outstanding under the Scheme. Should they be fully exercised, the Company will receive approximately HK\$10,360,000 (before issue expenses). The fair value of these unexercised options measured in accordance with the Group's accounting policy amounted to approximately HK\$4,287,000. For further details, please refer to the "Summary of Significant Accounting Policies" in the 2022 annual report of the Company (the "Annual Report 2022").

SHARE AWARD SCHEME

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

The Share Award Scheme would 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 with the market price from time to time 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 (i.e. performance targets) 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 selected participants are not required to pay any purchase price for the vested shares. The awarded Shares will be transferred by the trustee to the selected participants with payment of the vesting charges by the selected participants that may be imposed by the Company.

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. As at 30 June 2023, 31,761,212 Shares, representing approximately 0.32% of the ordinary Share of the Company in issue, were held by the trustee pursuant to the Share Award Scheme. Accordingly, the number of Shares that the trustee may further purchase from the open market for the purpose of the Share Award Scheme as at 30 June 2023 was 169,170,985 Shares, representing approximately 1.68% of the ordinary Shares of the Company in issue as at the date of this report.

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, who is a director of the Company or service provider (if applicable), 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.

The number of awarded shares to be available for grant are 179,267,871 Shares as at 1 January 2023 and 200,932,197 Shares as at 30 June 2023, respectively.

DISCLOSEABLE INFORMATION

SHARE AWARD SCHEME *(Continued)*

During the period ended 30 June 2023, no awarded Shares was granted under the Share Award Scheme. The movement in the awarded shares of the Company during the period are set out as follows:

Category of Participants/ Name	Number of awarded Shares					As at 30 June 2023	Grant Date <i>(Note 2)</i>	Vesting Period
	As at 1 January 2023 <i>(Note 1)</i>	Granted	Vested <i>(Note 3)</i>	Lapsed	Cancelled			
Directors								
Zhou Min	2,217,240	–	(2,217,240)	–	–	–	2/12/2022	08/04/2022 – 07/04/2023
Li Haifeng	332,586	–	(332,586)	–	–	–	2/12/2022	08/04/2022 – 07/04/2023
Tung Woon Cheung Eric	184,770	–	(184,770)	–	–	–	2/12/2022	08/04/2022 – 07/04/2023
Li Li	1,108,620	–	(1,108,620)	–	–	–	2/12/2022	08/04/2022 – 07/04/2023
Sub-total	3,843,216	–	(3,843,216)	–	–	–		
Eligible Participants								
In aggregate	17,821,110	–	(17,821,110)	–	–	–	2/12/2022	08/04/2022 – 07/04/2023
Total	21,664,326	–	(21,664,326)	–	–	–		

Notes:

- On 2 December 2022, an aggregate of 21,664,326 awarded Shares were granted to the selected participants. Upon fulfillment of performance targets, the awarded shares shall be vested to the selected participants.
- The closing price immediately before the date on which the awarded Shares were granted on 2 December 2022 was HK\$1.97 per Share.
- The selected participants are not required to pay any purchase price for the vested shares. The weighted average closing price per Share immediately before the date of the awarded Shares vested by the selected participants is HK\$2 per Share.

DISCLOSEABLE INFORMATION

SHARE AWARD SCHEME *(Continued)*

As at 1 January 2023, the Company had 21,664,326 awarded shares outstanding under the Share Award Scheme. The fair value of these awarded shares measured in accordance with the Group's accounting policy amounted to approximately HK\$42,462,000. For further details, please refer to the "Summary of Significant Accounting Policies" in the Annual Report 2022. As at 30 June 2023, no awarded shares were outstanding under the Share Award Scheme.

During the six months ended 30 June 2023, no share option or awarded shares was granted under the share schemes of the Company. The number of Shares that may be issued in respect of share options and awarded shares granted under all share schemes of the Company during the six months ended 30 June 2023 divided by the weighted average number of Shares in issue for the six months ended 30 June 2023 is therefore not applicable.

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

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

- Mr. Tung Woon Cheung Eric was appointed as a member of the sustainability committee of the Company on 1 April 2023.
- Mr. Li Li was appointed as the chairman of the sustainability committee of the Company on 1 April 2023.
- Mr. Zhang Gaobo resigned as an independent non-executive director, the chairman of the remuneration committee of the Company, a member of each of the audit committee and the nomination committee of the Company on 16 June 2023.
- Mr. Guo Rui was appointed as a member of the sustainability committee of the Company on 1 April 2023 and was redesignated as the chairman of the remuneration committee of the Company on 16 June 2023.

Changes in information of directors since the date of the Annual Report 2022 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:

- The director fee for all executive directors, non-executive director and all independent non-executive directors of the Company was increased to HK\$240,000 with effect from 1 July 2023.
- Mr. Tung Woon Cheung Eric, an executive director of the Company, is an independent non-executive director of GR Life Style Company Limited (stock code: 108) (name changed from GR Properties Limited on 12 July 2023).
- Mr. Dai Xiaohu, an independent non-executive director of the Company, resigned as an independent non-executive director of China Conch Environment Protection Holdings Limited (stock code: 587) on 21 August 2023.

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

Save as disclosed above, since the date of the Annual Report 2022, there has been no change in the Board, and there has been no change in directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSEABLE INFORMATION

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

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

Date of the Agreement(s)/Issuance of Notes	Nature of the Agreement(s)/Notes	Aggregate amount (million)	Final Maturity	Specific performance obligations
14 December 2018	Term loan facilities with various banks	AU\$146	December 2023	<i>Note 3</i>
11 January 2019	Issuance of medium-term notes	RMB1,000	January 2026 <i>Note 4</i>	<i>Note 1</i>
11 January 2019	Issuance of medium-term notes	RMB1,000	January 2029	<i>Note 1</i>
12 May 2020	Issuance of medium-term notes	RMB1,000	5+N years <i>Note 5</i>	<i>Note 1</i>
16 November 2020	Green loan facility with a bank	HK\$1,800	November 2025	<i>Note 2</i>
25 November 2020	Term loan facility with a bank	HK\$1,500	November 2025	<i>Note 2</i>
20 January 2022	Issuance of medium-term notes	RMB1,000	January 2027 <i>Note 4</i>	<i>Note 6</i>
20 January 2022	Issuance of medium-term notes	RMB1,000	January 2027	<i>Note 6</i>
16 December 2022	Green loan facilities with a bank	HK\$4,000	December 2027	<i>Note 2</i>
23 March 2023	Issuance of medium-term notes	RMB500	March 2028 <i>Note 4</i>	<i>Note 6</i>
23 March 2023	Issuance of medium-term notes	RMB1,000	March 2028	<i>Note 6</i>
24 May 2023	Issuance of medium-term notes	RMB1,000	2+N years <i>Note 7</i>	<i>Note 6</i>
2 June 2023	Issuance of medium-term notes	RMB1,000	June 2028 <i>Note 4</i>	<i>Note 6</i>
11 August 2023	Issuance of medium-term notes	RMB500	2+N years <i>Note 7</i>	<i>Note 6</i>
11 August 2023	Issuance of medium-term notes	RMB500	3+N years <i>Note 8</i>	<i>Note 6</i>

DISCLOSEABLE INFORMATION

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER *(Continued)*

Notes:

1. (i) BEHL owns or controls at least 35% of the voting rights in the Company; (ii) BEHL supervises 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 and/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 Municipality").
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 Municipality.
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 five 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 five years.
6. (i) BEGCL owns or controls, directly or indirectly, at least 35% of the voting rights in the Company; (ii) BEGCL supervises the Company; (iii) BEGCL is directly or indirectly the single largest shareholder of the Company; and (iv) the nominees of BEGCL comprise the majority of the members of the Board.
7. 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 two years from the first reset date of coupon rate. The end of the second interest-bearing year is the first reset date of coupon rate. From the third interest-bearing year, the coupon rate is reset every two years.
8. 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 three years from the first reset date of coupon rate. The end of the third interest-bearing year is the first reset date of coupon rate. From the fourth interest-bearing year, the coupon rate is reset every three 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 notes will have right at their options to redeem the 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

Redemption of USD500,000,000 4.95% Bonds Due 2023

During the six months ended 30 June 2023, the Group redeemed on the maturity date all the outstanding principal amount of USD500,000,000 4.95% bonds due 2023 issued by a wholly-owned subsidiary of the Company ("2023 Bonds") at the redemption amount of USD500,000,000 plus accrued interest which was paid.

Subsequent to the redemption of 2023 Bonds, they were cancelled and delisted from the Stock Exchange.

Save as the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2023.

INTERIM DIVIDEND

The Directors of the Company have resolved to pay an interim cash dividend of HK7.0 cents per ordinary share for the six months ended 30 June 2023, payable on or before Thursday, 19 October 2023 to shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 4 October 2023 for their continuous supports to the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 29 September 2023 to Wednesday, 4 October 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 28 September 2023.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Company is committed to maintain the quality of corporate governance so as to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. In the opinion of the Board, the Company had complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

Sustainability Committee

A sustainability committee ("Sustainability Committee") has been formed on 1 April 2023. The Sustainability Committee of the Company comprises two executive directors namely Mr. Li Li and Mr. Tung Woon Cheung Eric and an independent non-executive director namely Mr. Guo Rui. The Sustainability Committee members performed their duties within written terms of reference formulated by the Company in accordance with expectation from stakeholders. The Sustainability Committee is chaired by Mr. Li Li. The Sustainability Committee is responsible for monitoring and reporting to the Board on the implementation and effectiveness of the environmental, social and governance ("ESG") management. It also prioritises the material ESG issues, evaluates the risks and opportunity due to climate change, reviews and monitors the achievement of environmental targets and evaluates the impacts of the ESG performances of the Company on its stakeholders, including employees, shareholders, customers, suppliers, business associates and local communities.

NON-COMPLIANCE WITH RULES 3.10A, 3.21, 3.25 AND 3.27A OF THE LISTING RULES DURING THE PERIOD ENDED 30 JUNE 2023

Following the resignation of Mr. Zhang Gaobo ("Mr. Zhang") as an independent non-executive director, a member of the audit committee, a member of the nomination committee and the chairman of the remuneration committee of the Company on 16 June 2023, the Company failed to meet the requirements of (i) the total number of independent non-executive directors at least one-third of the Board under Rule 3.10A of the Listing Rules; (ii) the audit committee comprising only non-executive directors with a minimum of three members under Rule 3.21 of the Listing Rules; (iii) the remuneration committee comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules; and (iv) the nomination committee comprising a majority of independent non-executive directors under Rule 3.27A of the Listing Rules. The Company would endeavor to identify a suitable candidate in order to fulfill the requirements of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that during the six months ended 30 June 2023, all the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") currently comprises two independent non-executive directors of the Company, namely Mr. Shea Chun Lok Quadrant (the chairman of the Audit Committee) 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 2023 have been reviewed and approved by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.

CORPORATE GOVERNANCE

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

The Board believes that there is an adequacy of resources in terms of staff qualifications and experience, training programmes and budget of the Group's internal audit function as well as those relating to the Group's ESG performance and reporting.

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 2023. No significant areas of concern that may affect the financial, operational and compliance control functions of the Group have been identified.