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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

- The Group reported revenue of HK$12,829.1 million, representing an increase of 28% as compared with that of HK$10,008.8 million in last period.

- Profit attributable to shareholders of the Company increased by 17% to HK$2,769.9 million for the six months ended 30 June 2019 as compared to HK$2,366.1 million for the last period.

- EBITDA amounted to HK$5,546.0 million, representing an increase of 25% as compared with that of HK$4,450.0 million in the last period.

- Basic and diluted earnings per share for the period were HK28.68 cents and HK28.25 cents respectively.

- Interim cash distribution of HK10.7 cents per share is declared for the six months ended 30 June 2019, the dividend payout ratio is 37%.

- Total daily design capacity for new projects secured for the period was 1,355,925 tons. Due to different reasons such as expiration of projects, the Group exited projects with aggregate daily design capacity of 419,000 tons during the period. As such, the net increase in total daily design capacity of the period was 936,925 tons. As at 30 June 2019, total daily design capacity was 37,761,558 tons (31 December 2018: 36,824,633 tons).

RESULTS

The board (the "Board") of directors (the "Directors") of Beijing Enterprises Water Group Limited (the "Company") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2019 with comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**12,829,115**	10,008,753
Cost of sales		**(8,056,933)**	(6,175,252)
Gross profit		**4,772,182**	3,833,501
Interest income		**308,972**	213,753
Other income and gains, net		**646,105**	723,566
Administrative expenses		**(957,616)**	(883,924)
Other operating expenses, net		**(158,323)**	(82,769)
PROFIT FROM OPERATING ACTIVITIES	*4*	**4,611,320**	3,804,127
Finance costs	*5*	**(1,193,123)**	(835,929)
Share of profits and losses of:			
Joint ventures		**394,618**	148,261
Associates		**251,838**	262,983
PROFIT BEFORE TAX		**4,064,653**	3,379,442
Income tax expense	*6*	**(771,153)**	(609,200)
PROFIT FOR THE PERIOD		**3,293,500**	2,770,242
ATTRIBUTABLE TO:			
Shareholders of the Company		**2,769,856**	2,366,116
Holders of perpetual capital instruments		**120,146**	126,507
Non-controlling interests		**403,498**	277,619
		3,293,500	2,770,242
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*8*		
– Basic		**HK28.68 cents**	HK25.58 cents
– Diluted		**HK28.25 cents**	HK25.18 cents

Details of the cash distributions declared out of contributed surplus account for the period are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**3,293,500**	2,770,242
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange fluctuation reserve:		
– Translation of foreign operations	**(438,532)**	(332,646)
– Release upon disposal of subsidiaries	**5**	–
Loss on revaluation of available-for-sale investments	**–**	(749)
	(438,527)	(333,395)
Items that will not to be reclassified to profit or loss in subsequent periods:		
– Share of other comprehensive income/(loss) of a joint venture	**(3,878)**	9,240
– Changes in fair value of equity investments designated at fair value through other comprehensive income	**31,679**	(18,909)
	27,801	(9,669)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	**(410,726)**	(343,064)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,882,774**	2,427,178
ATTRIBUTABLE TO:		
Shareholders of the Company	**2,427,507**	2,037,666
Holders of perpetual capital instruments	**91,279**	121,989
Non-controlling interests	**363,988**	267,523
	2,882,774	2,427,178

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
ASSETS			
Non-current assets:			
Property, plant and equipment		**3,877,732**	4,222,798
Right-of-use assets		**625,365**	–
Investment properties		**1,050,018**	1,052,492
Goodwill		**3,753,628**	3,803,072
Operating concessions		**4,328,136**	3,914,362
Other intangible assets		**223,510**	145,780
Investments in joint ventures		**8,261,722**	7,282,927
Investments in associates		**4,701,861**	4,408,675
Equity investments designated at fair value through other comprehensive income		**1,426,878**	1,362,679
Financial assets at fair value through profit or loss		**81,170**	97,854
Amounts due from contract customers		**42,640,894**	34,722,560
Receivables under service concession arrangements	*9*	**28,375,035**	27,612,518
Trade receivables	*10*	**3,051,599**	2,903,593
Prepayments, deposits and other receivables	*11*	**2,748,160**	2,597,895
Deferred tax assets		**293,429**	277,075
Total non-current assets		**105,439,137**	94,404,280
Current assets:			
Non-current assets held for sale		**315,049**	316,488
Inventories		**229,410**	225,517
Amounts due from contract customers		**2,892,147**	3,008,591
Receivables under service concession arrangements	*9*	**3,822,273**	3,252,496
Trade receivables	*10*	**4,831,730**	4,196,758
Prepayments, deposits and other receivables	*11*	**11,004,882**	7,382,082
Restricted cash and pledged deposits		**510,755**	656,849
Cash and cash equivalents		**10,003,881**	12,937,647
Total current assets		**33,610,127**	31,976,428
TOTAL ASSETS		**139,049,264**	126,380,708

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2019

	Notes	**30 June 2019 (Unaudited) *HK$'000***	31 December 2018 (Audited) *HK$'000*
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		**1,001,542**	941,299
Reserves		**28,789,578**	24,548,238
		29,791,120	25,489,537
Perpetual capital instruments		**6,322,033**	6,350,900
Non-controlling interests		**7,579,039**	5,971,700
		13,901,072	12,322,600
TOTAL EQUITY		**43,692,192**	37,812,137
Non-current liabilities:			
Other payables and accruals	*12*	**1,031,681**	595,488
Bank and other borrowings		**30,988,337**	27,781,560
Corporate bonds		**18,722,364**	16,233,214
Notes payable		**2,969,430**	2,978,957
Finance lease payables		**–**	311,418
Provision for major overhauls		**199,656**	210,949
Deferred income		**1,459,995**	1,396,589
Deferred tax liabilities		**2,897,919**	2,543,849
Total non-current liabilities		**58,269,382**	52,052,024
Current liabilities:			
Trade payables	*13*	**22,038,273**	17,872,645
Other payables and accruals	*12*	**8,764,901**	8,885,441
Income tax payables		**1,051,713**	1,035,716
Bank and other borrowings		**3,176,184**	4,291,839
Corporate bonds		**2,056,619**	4,341,192
Finance lease payables		**–**	89,714
Total current liabilities		**37,087,690**	36,516,547
TOTAL LIABILITIES		**95,357,072**	88,568,571
TOTAL EQUITY AND LIABILITIES		**139,049,264**	126,380,708

NOTES:

1.1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. During the six months ended 30 June 2019, the Group was involved in the following principal activities:

- construction of water treatment 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 and Australia;
- provision of sewage and reclaimed water treatment and seawater desalination services in Mainland China, the Republic of Singapore ("Singapore"), and the Portuguese Republic ("Portugal"), Australia and New Zealand;
- distribution and sale of piped water in Mainland China, Portugal and Australia;
- provision of technical and consultancy services and sale of machineries related to sewage treatment and construction services for comprehensive renovation projects in Mainland China and Australia; and
- licensing of technical know-how related to sewage treatment in Mainland China.

1.2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2019 is prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The interim financial information does not include all the information and disclosures in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018. 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 2018, 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.

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

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

1.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies 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 2018, except for the adoption of the new and revised HKFRSs effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

    The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, office properties and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables and accruals.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position. This includes the lease assets recognised previously under finance leases of HK$493,365,000 that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *HK$'000* (Unaudited)
Assets	
Decrease in property, plant and equipment	(493,365)
Increase in right-of-use assets	654,537
Increase in total assets	161,172
Liabilities	
Increase in other payables and accruals	562,304
Decrease in finance lease payables	(401,132)
Increase in total liabilities	161,172

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	HK$'000
	(Unaudited)
Operating lease commitments as at 31 December 2018	173,425
Weighted average incremental borrowing rate as at 1 January 2019	4.9%
Discounted operating lease commitments as at 1 January 2019	163,592
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(2,420)
Lease liabilities as at 1 January 2019	161,172

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

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

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

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The amendments did not have any impact on the Group’s interim condensed consolidated financial information.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

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, which is a measure of adjusted 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 that interest income on loans to joint ventures and an associate, interest income from non-controlling equity holders of subsidiaries, gain on bargain purchase of subsidiaries, gain or loss on disposal of subsidiaries and joint ventures, fair value gain on derivative financial instruments, finance costs, share of profits of certain associates, as well as head office and corporate income and expenses are excluded from such measurement.

For the six months ended 30 June 2019

	Sewage and reclaimed water treatment and construction services (Unaudited) *HK$'000*	Water distribution services (Unaudited) *HK$'000*	Technical and consultancy services and sale of machineries (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue	**10,452,904**	**1,173,320**	**1,202,891**	**12,829,115**
Cost of sales	**(6,965,530)**	**(613,333)**	**(478,070)**	**(8,056,933)**
Gross profit	**3,487,374**	**559,987**	**724,821**	**4,772,182**
Segment results:				
The Group	**3,568,447**	**595,859**	**420,398**	**4,584,704**
Share of profits and losses of:				
Joint ventures	**298,816**	**95,802**	**–**	**394,618**
Associates	**1,365**	**–**	**19,041**	**20,406**
	3,868,628	**691,661**	**439,439**	**4,999,728**
Corporate and other unallocated income and expenses, net				**26,616**
Share of profits of associates				**231,432**
Finance costs				**(1,193,123)**
Profit before tax				**4,064,653**
Income tax expense				**(771,153)**
Profit for the period				**3,293,500**
Profit for the period attributable to shareholders of the Company:				
Operating segments	**3,001,098**	**456,290**	**356,848**	**3,814,236**
Corporate and other unallocated items				**(1,044,380)**
				2,769,856

For the six months ended 30 June 2018

	Sewage and reclaimed water treatment and construction services (Unaudited) *HK$'000*	Water distribution services (Unaudited) *HK$'000*	Technical and consultancy services and sale of machineries (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue	7,815,454	1,014,790	1,178,509	10,008,753
Cost of sales	(5,193,035)	(549,100)	(433,117)	(6,175,252)
Gross profit	2,622,419	465,690	745,392	3,833,501
Segment results:				
The Group	2,934,497	415,964	370,662	3,721,123
Share of profits and losses of:				
Joint ventures	115,560	32,701	–	148,261
Associates	30,344	–	30,772	61,116
	3,080,401	448,665	401,434	3,930,500
Corporate and other unallocated income and expenses, net				83,004
Share of profits of associates				201,867
Finance costs				(835,929)
Profit before tax				3,379,442
Income tax expense				(609,200)
Profit for the period				2,770,242
Profit for the period attributable to shareholders of the Company:				
Operating segments	2,394,396	298,835	348,495	3,041,726
Corporate and other unallocated items				(675,610)
				2,366,116

Geographical information

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from external customers:		
Mainland China	**12,149,327**	9,371,376
Elsewhere	**679,788**	637,377
	12,829,115	10,008,753

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

Information about major customers

During the period ended 30 June 2019, the Group had no transaction with any single (six months ended 30 June 2018: Nil) external customer which contributed over 10% of the Group's total revenue for the period.

3. REVENUE

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sewage and reclaimed water treatment services	**2,513,214**	2,063,633
Construction services	**7,939,690**	5,751,821
Water distribution services	**1,173,320**	1,014,790
Technical and consultancy services and sales of machineries	**1,202,891**	1,178,509
	12,829,115	10,008,753

Imputed interest income under service concession arrangements amounting to HK$1,374,629,000 (six months ended 30 June 2018: HK$823,497,000) is included in the above revenue.

4. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of sewage and reclaimed water treatment services rendered	**1,076,217**	844,357
Cost of construction services	**5,842,409**	4,287,494
Cost of water distribution services	**529,618**	503,982
Cost of technical and consultancy services rendered and machineries sold	**478,070**	433,117
Depreciation of property, plant and equipment	**119,588**	121,466
Depreciation of right-of-use assets	**27,139**	–
Amortisation of operating concessions*	**130,619**	106,302
Amortisation of other intangible assets*	**10,920**	6,881

* *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.*

5. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other loans	**677,731**	554,639
Interest on corporate bonds	**523,372**	262,614
Interest on notes payable	**85,309**	89,718
Interest on finance leases	**–**	9,995
Interest on lease liabilities	**12,834**	–
Total interest expense	**1,299,246**	916,966
Increase in discounted amounts of provision for major overhauls arising from the passage of time	**11,069**	9,183
Total finance costs	**1,310,315**	926,149
Less: Interest included in cost of construction services	**(117,192)**	(90,220)
	1,193,123	835,929

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2019 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2018: Nil).

The income tax provisions in respect of operations in Mainland China and other countries are calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions, by reasons that (1) these companies are engaged in the operations of sewage and reclaimed water treatment; and/or (2) they have operations in the Western region 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.

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Mainland China	**426,211**	330,433
Current – Elsewhere	**12,021**	16,598
Overprovision in prior periods	**(38,008)**	(2,579)
Deferred	**370,929**	264,748
Total tax expense for the period	**771,153**	609,200

7. INTERIM DISTRIBUTION

On 28 August 2019, the Board declared an interim cash distribution of HK10.7 cents per share (six months ended 30 June 2018: HK9.5 cents) totalling approximately HK$1,071,888,000 (six months ended 30 June 2018: HK$894,196,000).

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount for the six months ended 30 June 2019 is based on the profit for the period attributable to shareholders of the Company, and the weighted average number of 9,679,003,580 (six months ended 30 June 2018: 9,249,400,700) ordinary shares in issue less the weighted average number of 20,037,514 (six months ended 30 June 2018: Nil) 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 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 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.

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	**2,769,856**	2,366,116
Effect of dilution on earnings in respect of share options of an associate	**(3,723)**	–
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	**2,766,133**	2,366,116

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Number of ordinary shares		
Weighted average number of ordinary shares in issue less shares held under the share award scheme during the period, used in the basic earnings per share calculation	**9,658,966,066**	9,249,400,700
Effect of dilution on weighted average number of ordinary shares – Share options which have dilutive effect	**134,280,176**	146,161,491
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**9,793,246,242**	9,395,562,191

9. 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. Aging 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 aging 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 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Billed:		
Within 3 months	**1,513,373**	1,328,652
4 to 6 months	**654,156**	601,011
7 to 12 months	**524,242**	340,745
Over 1 year	**914,593**	765,192
	3,606,364	3,035,600
Unbilled:		
Current portion	**215,909**	216,896
Non-current portion	**28,375,035**	27,612,518
	28,590,944	27,829,414
Total	**32,197,308**	30,865,014

10. TRADE RECEIVABLES

The Group's trade receivables arise from the provision of construction services for comprehensive renovation projects, water distribution services on the Build-Own-Operate basis, technical and consultancy services and sales of machineries. The Group's trading terms with its customers are mainly on credit and each customer has a maximum credit limit. The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one month to three months, except for customers of the construction services for comprehensive renovation projects, which will settle the amounts owed to the Group in a number of specified instalments covering periods ranging from 1 year to 25 years. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Apart from the trade receivables of certain construction services for comprehensive renovation projects which bear interest at rates ranging from 4.8% to 15.0% (31 December 2018: 5.7% to 15.0%), all other trade receivables are non-interest-bearing.

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

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Billed:		
Within 3 months	**1,546,734**	1,587,583
4 to 6 months	**936,140**	519,304
7 to 12 months	**456,098**	404,426
Over 1 year	**1,732,430**	1,708,875
Balance with extended credit period	**40,299**	40,483
	4,711,701	4,260,671
Unbilled*	**3,171,628**	2,839,680
	7,883,329	7,100,351
Portion classified as current assets	**(4,831,730)**	(4,196,758)
Non-current portion	**3,051,599**	2,903,593

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Prepayments	**1,988,136**	276,347
Deposits and other debtors	**5,766,017**	3,979,283
Advances to subcontractors and suppliers	**4,418,847**	3,050,301
Due from joint ventures	**1,414,429**	2,293,324
Due from associates	**10,175**	88,097
Due from other related parties	**391,157**	467,099
	13,988,761	10,154,451
Impairment	**(235,719)**	(174,474)
	13,753,042	9,979,977
Portion classified as current assets	**(11,004,882)**	(7,382,082)
Non-current portion	**2,748,160**	2,597,895

12. OTHER PAYABLES AND ACCRUALS

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Accruals	**1,043,555**	1,157,784
Other liabilities	**4,003,950**	3,839,479
Lease liabilities	**515,883**	–
Contract liabilities	**898,105**	633,670
Due to subcontractors	**1,250,668**	1,072,231
Due to joint ventures	**1,159,081**	1,318,709
Due to associates	**84,740**	432,491
Due to other related parties	**498,990**	699,339
Other taxes payables	**341,610**	327,226
	9,796,582	9,480,929
Portion classified as current liabilities	**(8,764,901)**	(8,885,441)
Non-current portion	**1,031,681**	595,488

13. TRADE PAYABLES

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

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within 3 months	**6,657,657**	7,734,850
4 to 6 months	**4,640,629**	2,369,676
7 months to 1 year	**3,034,720**	3,150,924
1 to 2 years	**3,731,972**	2,569,605
2 to 3 years	**2,226,199**	916,981
Over 3 years	**1,619,282**	974,504
Balance with extended credit period	**127,814**	156,105
	22,038,273	17,872,645

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

14. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 30 June 2019 amounted to HK$3,477,563,000 (unaudited) (31 December 2018: HK$4,540,119,000) and HK$101,961,574,000 (unaudited) (31 December 2018: HK$89,864,161,000), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the period attributable to shareholders of the Company increased by 17% to HK$2,769.9 million. Revenue increased by 28% to HK$12,829.1 million as a result of increase in revenue contribution from water treatment services and construction services for the water environmental renovation.

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	2,331.4	18%	58%	1,094.8	
– Joint ventures and associates				104.0	
				1,198.8	31%
Overseas					
– Subsidiaries	181.8	1%	26%	32.0	1%
	2,513.2	19%		1,230.8	32%
Water distribution services					
China					
– Subsidiaries	881.6	7%	53%	299.2	8%
– Joint ventures				79.8	2%
				379.0	10%
Overseas					
– Subsidiaries	291.7	2%	31%	61.3	2%
– Joint ventures				16.0	0%
				77.3	2%
	1,173.3	9%		456.3	12%
Subtotal	3,686.5	28%		1,687.1	44%

	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%[§]	3,221.2	25%	27%	845.5	22%
– Interest income	–	–	–	63.0	2%
	3,221.2	25%	27%	908.5	24%
Construction of BOT water projects					
– China	4,718.5	37%	25%	861.9	23%
Subtotal	7,939.7	62%		1,770.4	47%
3. Technical services and sale of machineries for the water environmental renovation	1,202.9	10%	60%	356.8	9%
Business results	12,829.1	100%		3,814.3	100%
Others[#]				(1,044.4)	
Total				2,769.9	

[#] *Others included head office expense and other cost, net, of HK$82.7 million, share of profit of associates of HK$231.4 million and finance costs of HK$1,193.1 million. Others represented items that cannot be allocated to the operating segments.*

[§] *Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK$132.9 million.*

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	1,901.6	19%	58%	872.3	
– Joint ventures and associates				85.3	
				957.6	31%
Overseas					
– Subsidiaries	162.0	2%	28%	30.5	1%
	2,063.6	21%		988.1	32%
Water distribution services					
China					
– Subsidiaries	826.5	8%	50%	233.1	8%
– Joint ventures				32.7	1%
				265.8	9%
Overseas					
– Subsidiaries	188.3	2%	30%	33.0	1%
	1,014.8	10%		298.8	10%
Subtotal	3,078.4	31%		1,286.9	42%

	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%[§]	2,463.2	25%	26%	721.7	24%
– Interest income	–	–	–	91.2	3%
	2,463.2	25%	26%	812.9	27%
Construction of BOT water projects					
– China	3,288.7	33%	25%	593.4	20%
Subtotal	5,751.9	58%		1,406.3	47%
3. Technical services and sale of machineries for the water environmental renovation	1,178.5	11%	63%	348.5	11%
Business results	10,008.8	100%		3,041.7	100%
Others[#]				(675.6)	
Total				2,366.1	

[#] *Others included head office expense and other cost, net, of HK$39.3 million, share of profit of associates of HK$201.9 million, equity-settled share option expense of HK$2.3 million and finance costs of HK$835.9 million. Others represented items that cannot be allocated to the operating segments.*

[§] *Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK$50.7 million.*

The comparison of the Group's financial results for the six months ended 30 June 2019 and 2018 is set out in details below:

	Revenue				Profit attributable to shareholders of the Company			
	For the six months ended 30 June				For the six months ended 30 June			
	2019	2018	Increase/(Decrease)		**2019**	2018	Increase/(Decrease)	
	HK$'M	*HK$'M*	*HK$'M*	*%*	***HK$'M***	*HK$'M*	*HK$'M*	*%*
1. Water treatment services								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	**2,331.4**	1,901.6	429.8	23%	**1,094.8**	872.3	222.5	26%
– Joint ventures and associates					**104.0**	85.3	18.7	22%
					1,198.8	957.6	241.2	25%
GP ratio	***58%***	*58%*		–				
Overseas								
– Subsidiaries	**181.8**	162.0	19.8	12%	**32.0**	30.5	1.5	5%
GP ratio	***26%***	*28%*		(2%)				
	2,513.2	2,063.6	449.6	22%	**1,230.8**	988.1	242.7	25%
Water distribution services								
China								
– Subsidiaries	**881.6**	826.5	55.1	7%	**299.2**	233.1	66.1	28%
– Joint ventures					**79.8**	32.7	47.1	144%
					379.0	265.8	113.2	43%
GP ratio	***53%***	*50%*		3%				
Overseas								
– Subsidiaries	**291.7**	188.3	103.4	55%	**61.3**	33.0	28.3	86%
– Joint ventures					**16.0**	–	16.0	100%
					77.3	33.0	44.3	134%
GP ratio	***31%***	*30%*		1%				
	1,173.3	1,014.8	158.5	16%	**456.3**	298.8	157.5	53%
Subtotal	**3,686.5**	3,078.4	608.1	20%	**1,687.1**	1,286.9	400.2	31%
2. Construction services for the water environmental renovation								
Construction services for comprehensive renovation projects								
– Projects with completion rate more than 10%	**3,221.2**	2,463.2	758.0	31%	**845.5**	721.7	123.8	17%
– Interest income	**–**	–	–	–	**63.0**	91.2	(28.2)	(31%)
	3,221.2	2,463.2	758.0	31%	**908.5**	812.9	95.6	12%
GP ratio	***27%***	*26%*		1%				
Construction of BOT water projects								
– China	**4,718.5**	3,288.7	1,429.8	43%	**861.9**	593.4	268.5	45%
GP ratio	***25%***	*25%*		–				
Subtotal	**7,939.7**	5,751.9	2,187.8	38%	**1,770.4**	1,406.3	364.1	26%
3. Technical services and sale of machineries for the water environmental renovation	**1,202.9**	1,178.5	24.4	2%	**356.8**	348.5	8.3	2%
GP ratio	***60%***	*63%*		(3%)				
Business results	**12,829.1**	10,008.8	2,820.3	28%	**3,814.3**	3,041.7	772.6	25%
Others					**(1,044.4)**	(675.6)	(368.8)	55%
Total					**2,769.9**	2,366.1	403.8	17%

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 21 provinces, 5 autonomous regions and 3 municipalities all across Mainland China.

2.1 Water treatment services

As at 30 June 2019, the Group entered into service concession arrangements and entrustment agreements for a total of 1,047 water plants including 875* sewage treatment plants, 140 water distribution plants, 30 reclaimed water treatment plants and 2 seawater desalination plants. Total daily design capacity for new projects secured for the period was 1,355,925 tons including Build-Operate-Transfer ("BOT") projects of 130,000 tons, Public-Private Partnership ("PPP") projects of 882,925 tons, entrustment operation projects of 263,000 tons, and 80,000 tons through mergers and acquisitions.

Due to different reasons such as expiration of projects, the Group exited projects with aggregate daily design capacity of 419,000 tons during the period. As such, the net increase in daily design capacity of the period was 936,925 tons. As at 30 June 2019, total daily design capacity was 37,761,558 tons.

* *During the period, the Group entered into service concession arrangements for 89 town-size sewage treatment plants with aggregate daily capacity of 13,925 tons.*

Analysis of projects on hand is as follows:

	Sewage treatment	Reclaimed water treatment	Water distribution	Seawater desalination	Total
(Tons)					
China					
In operation	12,455,750	854,200	7,341,894	–	20,651,844
Not yet commenced operation/Not yet transferred	8,883,066	1,149,000	5,061,800	50,000	15,143,866
Subtotal	21,338,816	2,003,200	12,403,694	50,000	35,795,710
Overseas					
In operation	81,998	376,750	1,207,100	300,000	1,965,848
Not yet commenced operation/Not yet transferred	–	–	–	–	–
Subtotal	81,998	376,750	1,207,100	300,000	1,965,848
Total	21,420,814	2,379,950	13,610,794	350,000	37,761,558
(Number of water plants)					
China					
In operation	292	12	85	–	389
Not yet commenced operation/Not yet transferred	547	14	22	1	584
Subtotal	839	26	107	1	973
Overseas					
In operation	36	4	33	1	74
Not yet commenced operation/Not yet transferred	–	–	–	–	–
Subtotal	36	4	33	1	74
Total	875	30	140	2	1,047

	Number of plants	Design capacity *(Tons/Day)*	Actual processing volume during the period* *(Tons (M))*	Revenue *(HK$'M)*	Profit attributable to shareholders of the Company *(HK$'M)*
Sewage and reclaimed water treatment services:					
Mainland China:					
– Southern China	74	3,578,500	591.3	547.0	343.8
– Western China	65	1,836,700	263.4	425.1	182.2
– Shandong	35	1,672,000	222.0	249.7	108.0
– Eastern China	75	3,943,250	564.9	659.2	339.2
– Northern China	55	2,279,500	347.4	450.4	225.6
	304	13,309,950	1,989.0	2,331.4	1,198.8
Overseas	40	458,748	55.6	181.8	32.0
Subtotal	344	13,768,698	2,044.6	2,513.2	1,230.8
Water distribution services:					
Mainland China	85	7,341,894	736.7	881.6	379.0
Overseas §	34	1,507,100	78.8	291.7	77.3
Subtotal	119	8,848,994	815.5	1,173.3	456.3
Total	463	22,617,692	2,860.1	3,686.5	1,687.1

* *Excluded entrustment operation contracts*

§ *Included a seawater desalination plant*

2.1.1 Sewage and reclaimed water treatment services

2.1.1a Mainland China

As at 30 June 2019, the Group had 292 sewage treatment plants and 12 reclaimed water plants in operation in Mainland China. Total daily design capacity in operation of sewage treatment plants and reclaimed water plants reached to 12,455,750 tons (31 December 2018: 12,031,550 tons) and 854,200 tons (31 December 2018: 809,200 tons) respectively. The average daily processing volume is 11,062,263 tons and average daily treatment rate is 87%. The actual average contracted tariff charge of water treatment was approximately RMB1.14 per ton (31 December 2018: RMB1.10 per ton) for water plants. The actual aggregate processing volume for the period was 1,989.0 million tons, of which 1,806.9 million tons was contributed by subsidiaries and 182.1 million tons was contributed by joint ventures. Total revenue for the period was HK$2,331.4 million. Net profit attributable to shareholders of the Company was HK$1,198.8 million, of which HK$1,094.8 million was contributed by subsidiaries and HK$104.0 million was contributed by joint ventures and associates. The information of sewage and reclaimed water treatment services in Mainland China is as follows:

Southern China

Plants in Southern China were mainly located in Guangdong Province, Hunan Province, Fujian Province and Shaanxi Province. As at 30 June 2019, there were 74 sewage treatment plants with total daily design capacity of 3,578,500 tons, representing an increase of 120,000 tons or 3% as compared with last year. The actual aggregate processing volume for the period amounted to 591.3 million tons. The operating revenue and profit attributable to shareholders of the Company were HK$547.0 million and HK$343.8 million respectively during the period.

Western China

Plants in Western China were mainly located in Yunnan Province, Guangxi Province, Sichuan Province and Guizhou Province. As at 30 June 2019, there were 65 sewage treatment plants with total daily design capacity of 1,836,700 tons, representing an increase of 13,700 tons per day or 1% as compared with last year. The actual processing volume for the period was 263.4 million tons. The operating revenue of HK$425.1 million was recorded during the period. Profit attributable to shareholders of the Company amounted to HK$182.2 million.

Shandong

There were 35 plants in Shandong region. The total daily design capacity of Shandong region is 1,672,000 tons, representing an increase of 170,000 tons per day or 11% as compared with last year. The actual processing volume for the period was 222.0 million tons contributing operating revenue of HK$249.7 million during the period. Profit attributable to shareholders of the Company was HK$108.0 million.

Eastern China

There were 75 water plants in Eastern China which were mainly located in Zhejiang Province, Jiangsu Province and Anhui Province. As at 30 June 2019, the total daily design capacity of Eastern China had increased by 105,500 tons to 3,943,250 tons or 3% as compared with last year. The actual processing volume for the period amounted to 564.9 million tons and operating revenue was HK$659.2 million during the period. Profit attributable to shareholders of the Company was HK$339.2 million.

Northern China

Currently, the Group has 55 plants under operation in Northern China. They are mainly located in Liaoning Province and Beijing. The daily design capacity of Northern China had increased by 60,000 tons to 2,279,500 tons or 3% as compared with last year. The projects achieved actual processing volume of 347.4 million tons for the period. The operating revenue was HK$450.4 million during the period. Profit attributable to shareholders of the Company was HK$225.6 million.

2.1.1b Overseas:

As at 30 June 2019, the Group had 36 sewage treatment plants and 4 reclaimed water plants in Portugal, Singapore, Australia and New Zealand. Total daily design sewage treatment capacity in operation was 458,748 tons. The actual processing volume for the period is 55.6 million tons. Total revenue for the period was HK$181.8 million. Profit attributable to shareholders of the Company was HK32.0 million.

2.1.2 Water distribution services

2.1.2a Mainland China:

As at 30 June 2019, the Group had 85 water distribution plants in operation. Total daily design capacity in operation was 7,341,894 tons (31 December 2018: 6,715,600 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 RMB2.08 per ton (31 December 2018: RMB2.07 per ton). The aggregate actual processing volume is 736.7 million tons, of which 419.5 million tons was contributed by subsidiaries, which recorded revenue of HK$881.6 million and 317.2 million tons was contributed by joint ventures. Imputed interest income of HK$2.1 million was recognised for the receivables under service concession arrangement of Plant No. 9 in Beijing. Profit attributable to shareholders of the Company was HK$379.0 million, of which profit of HK$299.2 million was contributed by subsidiaries and a profit of HK$79.8 million in aggregate was contributed by joint ventures.

2.1.2b Overseas:

As at 30 June 2019, the Group had 33 water distribution plants and a sea desalination plant which supplies drinking water in Portugal and Australia. Total daily design capacity in operation was 1,507,100 tons. The actual processing volume for the period is 78.8 million tons of which 45.0 million tons was contributed by subsidiaries and 33.8 million tons was contributed by joint ventures. Total revenue for the period was HK$291.7 million. Profit attributable to shareholders of the Company was HK$77.3 million.

2.2 *Construction services for the water environmental renovation*

2.2.1 Construction services for comprehensive renovation projects

The Group had 20 comprehensive renovation projects under construction during the period. The projects mainly located in Zhejiang Hangzhou, Zhejiang Taizhou, Chengdu Jianyang, Malaysia Terengganu, Inner Mongolia, Sichuan Luzhou, Beijing Daxing and Hebei Hengshui. Last period, the Group had 18 comprehensive renovation projects under construction in Foshan Sanshui, Sichuan Suining, Inner Mongolia, Chengdu Jianyang, Guangdong Heshan,Yunnan Ling Cang, Malaysia Terengganu, Sichuan Luzhou and Beijing Tongzhou.

Revenue from comprehensive renovation projects increased by HK$758.0 million from last period of HK$2,463.2 million to HK$3,221.2 million this period. Revenue increase was mainly due to the increase in construction work for Zhejiang Hangzhou during the 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$63.0 million for this period (six months ended 30 June 2018: HK$91.2 million).

Profit attributable to shareholders of the Company for the comprehensive renovation projects increased by HK$95.6 million from last period of HK$812.9 million to HK$908.5 million this period.

2.2.2 Construction of BOT water projects

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

During the period, water plants under construction were mainly located in Shanxi, Shandong, Zhejiang, Guizhou, Hunan and Hebei provinces. Total revenue for construction of BOT water projects was HK$4,718.5 million (six months ended 30 June 2018: HK$3,288.7 million) and profit attributable to shareholders of the Company was HK$861.9 million (six months ended 30 June 2018: HK$593.4 million).

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$1,202.9 million (six months ended 30 June 2018: HK$1,178.5 million), representing 10% of the Group's total revenue. Profit attributable to shareholders of the Company was HK$356.8 million (six months ended 30 June 2018: HK$348.5 million).

3. Financial analysis

3.1 Revenue

During the period, the Group recorded revenue of HK$12,829.1 million (six months ended 30 June 2018: HK$10,008.8 million). The increase was mainly due to the increase in revenue from water treatment services and construction services for the water environmental renovation.

3.2 Cost of sales

Cost of sales for the period amounted to HK$8,056.9 million, compared to last period of HK$6,175.3 million. The increase was mainly due to the increase in operating costs of water plants amounted to HK$281.8 million and cost of construction services of HK$1,554.9 million. Cost of sales mainly included construction costs of HK$5,842.4 million and operating costs of water plants of HK$1,736.5 million. The construction costs mainly consisted of subcontracting charges. The operating costs of water plants, mainly included electricity charges of HK$445.2 million, staff costs of HK$438.7 million and major overhaul charges of HK$55.6 million; while the increase in operating costs was mainly due to increase in actual water processing volume. Major overhaul charges were the estimated expenditure to be incurred for the restoration of water plants before they are handed over to the grantor at the end of service arrangements. The amount was estimated based on discounted future cash outlays on major overhauls during the service concession periods. The amount was charged to profit or loss based on amortisation method during the service concession periods.

3.3 Gross profit margin

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

Gross margin for sewage and reclaimed water treatment services:

Gross margin for sewage and reclaimed water treatment services in Mainland China was 58% (last period: 58%). Gross margin for sewage and reclaimed water treatment services in Overseas was slightly decreased to 26% (last period: 28%).

Gross margin for water distribution services:

Gross margin for water distribution services in Mainland China increased to 53% (last period: 50%). Excluding the imputed interest income of the Plant No. 9, gross margin for water distribution services was 53% (last period: 49%). The increase was mainly due to the newly acquired projects which generated a relatively higher gross margin during the period. Gross margin for water distribution services in Overseas slightly increased to 31% (last period: 30%).

Gross margin for construction services for comprehensive renovation projects:

Gross margin for construction services for comprehensive renovation projects was 27% (last period: 26%).

Gross margin for construction of BOT water projects:

Gross margin for construction of BOT water projects in China was 25% (last period: 25%).

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

Gross margin for the technical services and sales of machineries for the water environmental renovation was 60% (last period: 63%).

3.4 Other income and gains, net

The Group recorded other income and gains, net of HK$646.1 million during the period, compared to last period of HK$723.6 million. The amount for this period mainly included sludge treatment income of HK$30.2 million, government grants and subsidies of HK$112.9 million, pipeline installation income of HK$120.9 million and VAT refund of HK$179.5 million.

3.5 Administrative expenses

Administrative expenses for the period increased to HK$957.6 million, compared to last period of HK$883.9 million. The increase was mainly due to the increase in staff related expenses as a result of business expansion during the period.

3.6 Other operating expenses, net

Other operating expenses increased from HK$82.8 million to HK$158.3 million during the period. The increase in current period was mainly due to a reversal of impairment during the last period.

3.7 Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK$677.7 million (six months ended 30 June 2018: HK$554.6 million) and interests on corporate bonds and notes payable of HK$608.7 million (six months ended 30 June 2018: HK$352.3 million). The increase in finance costs was mainly due to the increase in bank and other borrowings and corporate bonds. Also, there was an increase in market interest rate as compared with last period.

3.8 Share of profits of associates

Share of profits of associates decreased to HK$251.8 million, compared to last period of HK$263.0 million. The decrease was mainly due to decrease in share of profits of BE Clean Energy.

3.9 Share of profits of joint ventures

Share of profits of joint ventures increased to HK$394.6 million, compared to last period of HK$148.3 million. The increase was mainly contributed by the joint ventures which engaged in water treatment services and construction services for the water environmental renovation.

3.10 Income tax expense

Income tax expense for the period included the current PRC income tax of HK$426.2 million. The effective tax rate for the PRC operation was about 16% which was lower than the PRC standard income tax rate of 25% as some of the subsidiaries enjoyed tax concession benefit. Deferred tax charge for the period, was HK$370.9 million.

3.11 Profit attributable to holders of perpetual capital instruments

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

3.12 Property, plant and equipment

Property, plant and equipment decreased by HK$345.1 million which was mainly due to the reallocation of assets under finance leases to right-of-use assets in accordance with the newly effective HKFRS 16 during the period.

3.13 Investment properties

Investment property represented a portion of a building located in Beijing which the Group held to earn rental income during the period. The investment property was stated at fair value. Fair value gain of HK$14.1 million was recognised in statement of profit or loss during the period.

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

The Group's total amounts due from contract customers, receivable under service concession arrangements and trade receivables of HK$85,613.6 million (31 December 2018: HK$75,696.6 million) included:

By accounting nature:

	30 June 2019			31 December 2018		
	Non-current	**Current**	**Total**	Non-current	Current	Total
	HK$'M	***HK$'M***	***HK$'M***	*HK$'M*	*HK$'M*	*HK$'M*
(i) Amounts due from contract customers	**42,640.9**	**2,892.1**	**45,533.0**	34,722.6	3,008.6	37,731.2
(ii) Receivables under service concession arrangements	**28,375.0**	**3,822.3**	**32,197.3**	27,612.5	3,252.5	30,865.0
(iii) Trade receivables	**3,051.6**	**4,831.7**	**7,883.3**	2,903.6	4,196.8	7,100.4
Total	**74,067.5**	**11,546.1**	**85,613.6**	65,238.7	10,457.9	75,696.6

(i) Amounts due from contract customers of HK$45,533.0 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$7,801.8 million (non-current portion increased by HK$7,918.3 million and current portion decreased by HK$116.5 million), which was mainly due to the recognition of construction revenue;

(ii) Receivables under service concession arrangements of HK$32,197.3 million represent the fair value of the specified amount that the grantor contractually guarantees to pay under service concession contracts arising from BOT and TOT projects. The increase in balance by HK$1,332.3 million (non-current portion increased by HK$762.5 million and current portion increased by HK$569.8 million) was mainly due to the conversion of joint ventures to subsidiaries as a result of the acquisition of additional interest in joint ventures; and

(iii) Trade receivables of HK$7,883.3 million mainly arose from the provision of construction services for comprehensive renovation projects, technical and consultancy services and sewage treatment equipment trading. The balance increased by HK$782.9 million (non-current portion increased by HK$148.0 million and current portion increased by HK$634.9 million).

By business nature:

	30 June 2019 *HK$'M*	31 December 2018 *HK$'M*
Water treatment services by BOT and TOT projects	**60,934.3**	53,185.9
Construction services of comprehensive renovation projects	**21,666.3**	19,817.2
Technical and consultancy services and other businesses	**3,013.0**	2,693.5
Total	**85,613.6**	75,696.6

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$60,934.3 million (31 December 2018: HK$53,185.9 million). Total receivables for the construction service of comprehensive renovation projects were HK$21,666.3 million (31 December 2018: HK$19,817.2 million). Total receivables for technical and consultancy services and other businesses were HK$3,013.0 million (31 December 2018: HK$2,693.5 million).

3.15 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.

3.16 Investments in joint ventures

Investments in joint ventures increased by HK$978.8 million, mainly due to the capital injection to the joint ventures and share of profit during the period.

3.17 Investments in associates

Investments in associates increased by HK$293.2 million, mainly due to the share of profit of associates during the period.

3.18 Prepayments, deposits and other receivables

Prepayments, deposits and other receivables increased by HK$3,773.1 million (non-current portion increased by HK$150.3 million and current portion increased by HK$3,622.8 million), mainly due to the increase in prepayments of construction cost.

3.19 Other payables and accruals

Other payables and accruals increased by HK$315.7 million. The increase was mainly due to the increase in lease liability during the period.

3.20 Cash and cash equivalents

Cash and cash equivalents decreased by HK$2,933.8 million, mainly due to the payments for acquisition and construction of various water projects in PRC.

3.21 Bank and other borrowings

Bank and other borrowings increased by HK$2,091.1 million. Increase in bank and other borrowings was mainly utilised to finance for the acquisition and construction of various water projects in the PRC.

3.22 Corporate bonds

Corporate bonds increased by HK$204.6 million which was mainly utilized to finance for the acquisition and construction of various water projects in the PRC during the period.

3.23 Trade payables

The increase in trade payables by HK$4,165.6 million was mainly due to increase in trade payables to subcontractors for construction services of the water environmental renovation projects during the period.

3.24 Deferred Income

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

3.25 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 2019, the Group's cash and cash equivalents amounted to HK$10,003.9 million (31 December 2018: HK$12,937.6 million).

The Group's total borrowings amounted to HK$58,279.3 million (31 December 2018: HK$56,027.9 million) comprised bank and other borrowings of HK$34,164.5 million (31 December 2018: HK$32,073.4 million), finance lease payables* of HK$366.4 million (31 December 2018: HK$401.1 million), notes payable of HK$2,969.4 million (31 December 2018: HK$2,979.0 million) and corporate bonds of HK$20,779.0 million (31 December 2018: HK$20,574.4 million). All the corporate bonds and notes payable bear interest at fixed rates. Over 90% of bank and other borrowings bear interest at floating rates.

As at 30 June 2019, the Group had banking facilities amounting to HK$42.4 billion, of which HK$23.5 billion have not been utilised. The banking facilities are of 1 to 20 years term.

* *The balance as at 30 June 2019 is included in lease liabilities under "Other payables and accruals".*

The Group's total equity amounted to HK$43,692.2 million (31 December 2018: HK$37,812.1 million).

The gearing ratio as defined as sum of bank and other borrowings, finance lease payables, note payable and corporate bonds, net of cash and cash equivalents, divided by the total equity was 1.10 as at 30 June 2019 (31 December 2018: 1.14). The increase in the gearing ratio as at 30 June 2019 was mainly due to the increase in corporate bonds and bank and other borrowings during the period. The corresponding funds were mainly utilised for the acquisition and construction of various water projects in the PRC.

3.26 Capital expenditures

During the period, the Group's total capital expenditures were HK$5,479.1 million (six months ended 30 June 2018: HK$4,255.1 million), of which HK$520.8 million was paid for the acquisition of property, plant and equipment and intangible assets; HK$4,440.8 million was spent on construction and acquisition of water plants, HK$517.5 million represented the consideration for acquisition of equity interests in subsidiaries and equity investments and capital injections in joint ventures and associates.

4. Future outlook

4.1 Sustainable Development

In the second half of 2019, the Group will endeavour to grasp a strategic move heading towards an asset-light enterprise, and drive the growth of both core and emerging businesses according to its comprehensive innovative and ecological strategies by capitalising on its strategic position as an integrated, leading and professional water environment comprehensive service provider that offers services across the industry chain.

For the selection of market, investment will focus on quality projects in favourable regions and sectors that can offer high returns and bright future with low inputs and risk exposures, and the investment in projects in metropolitan areas will be increased.

With respect to resource allocation, human and capital resources will be invested in particularly in favourable regions and sectors.

Regarding cash flow management, the Group will continue to better utilise its capital, strengthen the management of receivable collection and implement more stringent requirements on budgeting in order to exert control throughout the cash flow cycle of investment, construction, operation and centralised procurement.

For the purpose of boosting operational capacity, the Group will emphasise on the adoption of a highly efficient operation and management model as well as standardisation. Efforts will be put in the study and application of operational technology and the establishment of a operational excellence enterprise, so as to enhance the quality of the asset of its existing projects, the products and services and the successful implementation of the Group's dual-platform strategy with operational excellence.

The positive treasury policy and stable monetary policy of the central government will continue in the second half of 2019 as the scope of tax and administrative fee reduction has been expanded. The promulgation and implementation of policies, including the Regulation on Government Investment (《政府投資條例》) and the Implementation comments on promoting the development of government and social capital cooperation (《關於推進政府和社會資本合作規範發展的實施意見》) will provide security for the operation compliance of PPP projects.

4.2 Future Development

The year of 2019 marks the 70th anniversary since the establishment of new China and is going to be a critical year for the strategic development of pollution prevention and control. With a national status as a key industry, favourable policy support, market and structural reform and increasing mergers and acquisitions, the environmental industry remain in a cycle of expected and sustainable growth.

With a view to pursuing high quality growth, the Group will continue to expand, strengthen and improve its two core businesses, namely urban water services and water environment comprehensive renovation, in adherence to the development strategy of setting up asset management and operational management platforms and by way of comprehensive innovation. In achieving its yearly business goals and pursuing a momentous and sustainable growth, the Group will be dedicated to promote the ecological value of the entire industry and the creation of a community of shared future for the water environment across the world.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed 18,142 employees. Total staff cost for the six months ended 30 June 2019 was HK$1,392,355,000 (six months ended 30 June 2018: HK$1,218,941,000). 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 and share options 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 an 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. 4,032,000 share options were exercised, no share option was lapsed or cancelled during the six months ended 30 June 2019. As at 30 June 2019, the Company had 260,904,000 share options outstanding which were granted on 24 April 2013 and 2,000,000 share options outstanding which were granted on 28 March 2014. The total outstanding share options represented approximately 2.62% of the Company's ordinary shares in issue as at 30 June 2019.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the six months ended 30 June 2019, the Group had no significant investments and acquisitions of subsidiaries and affiliated companies.

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings and the corporate bonds of the Group as at 30 June 2019 are secured by:

(i) mortgages over certain sewage treatment and water distribution concession rights (comprising operating concessions and receivables under service concession arrangements) which are under the management of the Group pursuant to the relevant service concession agreements signed with the grantors;

(ii) mortgages over certain land use rights and buildings and investment properties of the Group;

(iii) guarantees given by the Company and/or its subsidiaries;

(iv) pledges over the Group's equity interests in certain subsidiaries;

(v) pledges over certain of the Group's bank balances; and/or

(vi) pledges over certain of the Group's trade receivables and amounts due from contract customers.

Save as disclosed above, at 30 June 2019, 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.

CONTINGENT LIABILITIES

As at 30 June 2019, bank guarantees in favour of employers in lieu of deposits for project bidding and project performance of HK$830,004,000 (31 December 2018: HK$1,099,570,000) were outstanding and corporate guarantees of HK$3,204,118,000 (31 December 2018: HK$3,071,511,000) were given to banks in connection with facilities granted to certain associates, joint ventures and independent third parties.

At 31 December 2018, a corporate guarantee at a maximum amount of HK$93,113,000 (MYR49,162,000) was given by a subsidiary of the Group to the government of Malaysia in respect of the specific performance of the duties by the Group under an arrangement on the design, construction and operation of an underground sewage water plant located in Malaysia (the "Malaysia Project"). The corporate guarantee remains in force and effective until 29 June 2019. Further details of the Malaysia Project are set out in the Company's announcements dated 4 July 2011 and 3 November 2011.

Save as disclosed above, at 30 June 2019, the Group did not have any significant contingent liabilities.

EQUITY FUNDS RAISING BY THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

Subscription of new shares under specific mandate by China Yangtze Power International (Hongkong) Co., Limited

On 18 January 2019, the Company entered into a subscription agreement with China Yangtze Power International (Hongkong) Co., Limited ("CYPI") and the Company conditionally agreed to allot and issue, and CYPI conditionally agreed to subscribe for 470,649,436 new ordinary shares of HK$0.10 each with aggregate nominal value of HK$47,064,943.60 at a subscription price of HK$4.29 per ordinary share, representing the equivalence to the closing price of HK$4.29 per ordinary share as quoted on the Stock Exchange on 18 January 2019, being the date of the subscription agreement ("CYPI Subscription Agreement").

In accordance with the terms and conditions of the CYPI Subscription Agreement, a total of 470,649,436 new ordinary shares were successfully allotted and issued to CYPI on 18 March 2019 under specific mandate granted by shareholders in the special general meeting of the Company held on 7 March 2019.

The gross proceeds and net proceeds from the subscription by CYPI were approximately HK$2,019.1 million and approximately HK$2,018.6 million (equivalent to a net subscription price of HK$4.29 per ordinary share) respectively.

The intended use of the net proceeds from the subscription were (i) approximately HK$1,518.6 million for the investment in traditional water projects including "Build-Operate-Transfer" ("BOT") and "Transfer-Operate-Transfer" ("TOT") projects and (ii) approximately HK$500 million for the construction of water environment comprehensive renovation projects. The net proceeds has been applied as approximately HK$145 million for the investment in traditional water projects including BOT and TOT projects, (ii) approximately HK$500 million for the construction of water environment comprehensive renovation projects and (iii) approximately HK$1,373.6 million being maintained at bank and used as intended.

Subscription of new shares under specific mandate by Beijing Enterprises Environmental Construction Limited

On 18 January 2019, the Company entered into a subscription agreement with Beijing Enterprises Environmental Construction Limited ("BE Environmental"), a controlling shareholder of the Company, and the Company conditionally agreed to allot and issue, and BE Environmental conditionally agreed to subscribe for 127,747,714 new ordinary shares of HK$0.10 each with aggregate nominal value of HK$12,774,771.40 at the subscription price of HK$4.29 per ordinary share, representing the equivalence to the closing price of HK$4.29 per ordinary share as quoted on the Stock Exchange on 18 January 2019, being the date of the subscription agreement ("BE Environmental Subscription Agreement").

In accordance with the terms and conditions of the BE Environmental Subscription Agreement, a total of 127,747,714 new ordinary shares have been successfully allotted and issued to BE Environmental on 18 March 2019 under specific mandate granted by independent shareholders in the special general meeting of the Company held on 7 March 2019.

The gross proceeds and net proceeds from the subscription by BE Environmental were approximately HK$548.0 million and approximately HK$547.5 million (equivalent to a net subscription price of HK$4.29 per ordinary share) respectively.

The intended use of the net proceeds of HK$547.5 million from the subscription was for repayment of debts. The net proceeds has been applied as HK$547.5 million for repayment of debts.

The Directors consider that the subscription by CYPI would deepen the partnership with China Three Gorges Corporation, an indirect holding company of CYPI, to develop water environmental protection business. The subscription by BE Environmental would accelerate the Company's growth by further strengthening the capital base and financial position (including liquidity and gearing positions) of the Company and laying down a more solid foundation for the future business development and expansion, including mergers and acquisitions.

Further details of the two subscriptions were disclosed in the announcements of the Company dated 18 January 2019, 13 February 2019 and 7 March 2019 and the circular of the Company dated 18 February 2019.

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

Redemption of RMB2,000,000,000 3.60% Bonds Due 2021

During the six months ended 30 June 2019, the Group redeemed and cancelled two years prior to the maturity date RMB1,746,599,000 from the outstanding principal amount of RMB2,000,000,000 3.6% bonds due 2021 ("RMB Bonds") issued by a wholly-owned subsidiary of the Company and are guaranteed by the Company at the redemption amount of RMB1,746,599,000 plus accrued interest was paid. The amount of RMB253,401,000, being the outstanding amount of principal amount of the RMB Bonds, is scheduled to be redeemed on the maturity date in year 2021 as the bondholders do not register for the redemption within prescribed deadline.

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 six months ended 30 June 2019.

INTERIM DISTRIBUTION

The Directors of the Company have resolved to pay interim cash distribution of HK10.7 cents per ordinary share out of the contributed surplus of the Company, payable on or before 21 October 2019 to shareholders of the Company whose names appear on the register of members of the Company on Thursday, 3 October 2019 for their continuous supports to the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 27 September 2019 to Thursday, 3 October 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the interim cash distribution, 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, Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 26 September 2019.

CORPORATE GOVERNANCE

During the six months ended 30 June 2019, in the opinion of the Board, the Company complied with all code provisions set out in the Corporate Governance Code as set out in Appendix 14 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 of the Company, the Company confirms that during the six months ended 30 June 2019, all the Directors of the Company have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises three independent non-executive Directors of the Company, namely Mr. Shea Chun Lok Quadrant (the chairman of the Audit Committee), Mr. Zhang Gaobo and Mr. Guo Rui. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure, risk management and internal control systems of the Group. The unaudited interim results for the six months ended 30 June 2019 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Company's website (www.bewg.net) and the website of the Stock Exchange (www.hkexnews.hk). The 2019 interim report will be dispatched to shareholders in September 2019 and will be published on the websites of the Company and the Stock Exchange in due course.

APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to all the Group's employees for their continuous support and dedicated services.

By Order of the Board
Beijing Enterprises Water Group Limited
Li Yongcheng
Chairman

Hong Kong, 28 August 2019

As at the date of this announcement, the board of directors of the Company comprises ten executive directors, namely Mr. Li Yongcheng (Chairman), Mr. E Meng (Vice Chairman), Mr. Jiang Xinhao, Mr. Zhou Min (Chief Executive Officer), Mr. Li Haifeng, Mr. Zhang Tiefu, Ms. Qi Xiaohong, Mr. Ke Jian, Mr. Tung Woon Cheung Eric and Mr. Li Li and five independent non-executive directors, namely Mr. Shea Chun Lok Quadrant, Mr. Zhang Gaobo, Mr. Guo Rui, Mr. Wang Kaijun and Dr. Lee Man Chun Raymond.