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(Incorporated in Bermuda with limited liability)

(Stock Code: 371)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS

- Profit attributable to shareholders of the Company decreased to HK\$694.0 million for the six months ended 30 June 2022. The decrease was mainly due to: (1) Loss on deemed disposal of an associate, Shandong Hi-Speed New Energy Group Limited (formerly known as “Beijing Enterprises Clean Energy Group Limited”), amounted to HK\$1,091.0 million which classified as other operating expenses (last period: Nil). The deemed disposal loss is an one-off and non-cash in nature. It does not have any impact on the cash flow of the Group. (2) During the first half of 2022, the Novel Coronavirus outbreak in China remained volatile, construction works in several construction sites and the related business could only maintain limited operation, forced to suspend or delay the commencement. As such, there is a decrease in net profit from construction services for the water environmental renovation.
- The Board believes despite the fact that the aforesaid passive factors and force majeure, the core water treatment business of the Company grew steadily during the six months ended 30 June 2022 which recorded an increase in profit attributable to shareholders of HK\$618.4 million. The Group’s cash flow remained stable, the production and operation were normal and smooth, and various risk management and control were in place. The Group has a healthy balance sheet and each of its fundamental elements remained solid and will continue to strive to maximize profits for shareholders and create value for shareholders in a long-term and sustainable manner.
- EBITDA amounted to HK\$3,811.8 million. Basic and diluted earnings per share for the period were HK6.64 cents and HK6.61 cents respectively.
- Interim cash dividend of HK7.0 cents per share is declared for the six months ended 30 June 2022.

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 2022 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2022 with comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2022

		30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital		1,013,582	1,013,582
Perpetual capital instrument		1,187,358	1,216,904
Reserves		<u>34,869,587</u>	<u>37,798,892</u>
		37,070,527	40,029,378
Perpetual capital instruments		2,923,973	3,034,399
Non-controlling interests		22,996,420	20,484,977
		<u>25,920,393</u>	<u>23,519,376</u>
TOTAL EQUITY		<u>62,990,920</u>	<u>63,548,754</u>
Non-current liabilities:			
Other payables and accruals	12	768,363	807,543
Bank and other borrowings		50,821,645	45,842,406
Corporate bonds		13,686,127	16,851,404
Lease liabilities		112,967	108,268
Provision for major overhauls		410,576	302,166
Deferred income		1,393,751	1,489,354
Deferred tax liabilities		<u>5,006,283</u>	<u>4,973,688</u>
Total non-current liabilities		<u>72,199,712</u>	<u>70,374,829</u>
Current liabilities:			
Trade payables	13	24,058,389	25,071,178
Other payables and accruals	12	10,859,380	9,610,921
Income tax payables		1,420,256	1,580,336
Bank and other borrowings		10,913,747	10,831,453
Corporate bonds		5,236,347	149,632
Notes payable		2,352,760	2,438,588
Lease liabilities		<u>45,396</u>	<u>17,495</u>
Total current liabilities		<u>54,886,275</u>	<u>49,699,603</u>
TOTAL LIABILITIES		<u>127,085,987</u>	<u>120,074,432</u>
TOTAL EQUITY AND LIABILITIES		<u>190,076,907</u>	<u>183,623,186</u>

NOTES:

1.1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. During the six months ended 30 June 2022, the Group was involved in the following principal activities:

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

1.2. BASIS OF PREPARATION

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

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

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

1.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvement to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2. OPERATING SEGMENT INFORMATION

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

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

For the six months ended 30 June 2022

	Sewage and reclaimed water treatment and construction services (Unaudited) <i>HK\$'000</i>	Water distribution services (Unaudited) <i>HK\$'000</i>	Technical and consultancy services and sales of machineries (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue	7,994,152	1,561,979	1,089,808	10,645,939
Cost of sales	<u>(4,542,630)</u>	<u>(836,522)</u>	<u>(659,075)</u>	<u>(6,038,227)</u>
Gross profit	<u>3,451,522</u>	<u>725,457</u>	<u>430,733</u>	<u>4,607,712</u>
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	<u>14,861</u>	<u>2,524</u>	<u>(16,054)</u>	<u>1,331</u>
	<u>3,849,656</u>	<u>780,205</u>	<u>199,748</u>	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				<u>(1,423,358)</u>
Profit before tax				1,943,487
Income tax expense				<u>(535,408)</u>
Profit for the period				<u>1,408,079</u>
Profit for the period attributable to shareholders of the Company:				
Operating segments	<u>3,074,667</u>	<u>590,373</u>	<u>143,757</u>	3,808,797
Corporate and other unallocated items				<u>(3,114,768)</u>
				<u>694,029</u>

For the six months ended 30 June 2021

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

Geographical information

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

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

Information about major customers

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

3. REVENUE

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

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

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

4. PROFIT FROM OPERATING ACTIVITIES

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

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

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

6. INCOME TAX EXPENSE

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

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

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

7. INTERIM DIVIDEND

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

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Earnings		
Profit for the period attributable to shareholders of the Company	694,029	2,420,811
Distribution related to the perpetual capital instrument	(23,479)	(23,910)
	<hr/>	<hr/>
Profit used in the basic earnings per share calculation	670,550	2,396,901
Effect of dilution on earnings in respect of share options of an associate	(877)	(1,425)
	<hr/>	<hr/>
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	669,673	2,395,476
	<hr/> <hr/>	<hr/> <hr/>

Number of ordinary shares

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue less the weighted average number of shares held under the share award scheme during the period, used in the basic earnings per share calculation	10,102,269,892	9,983,158,813
Effect of dilution on weighted average number of ordinary shares		
– Share options which have dilutive effect	25,476,267	69,457,807
– Share awards which have dilutive effect	69,293	–
	<hr/>	<hr/>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	10,127,815,452	10,052,616,620
	<hr/> <hr/>	<hr/> <hr/>

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. Ageing analyses of receivables under service concession arrangements are regularly reviewed by senior management in order to minimise any credit risk arising from the receivables.

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

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

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

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

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

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

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

12. OTHER PAYABLES AND ACCRUALS

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

13. TRADE PAYABLES

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

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

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.

14. OTHER FINANCIAL INFORMATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

1. Financial highlights

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

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

	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% ^{\$}	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	<u>10,645.9</u>	<u>100%</u>		<u>3,808.7</u>	<u>100%</u>	
Others[#]				<u>(3,114.7)</u>		
Total				<u>694.0</u>		

[#] 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.

^{\$} Profit attributable to shareholders of the Company included share of profits of joint ventures and associates of HK\$112.7 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	3,522.1	26%	61%	1,622.7	
– Joint ventures and associates				157.0	
				1,779.7	44%
Overseas					
– Subsidiaries	217.2	1%	24%	32.0	1%
	3,739.3	27%		1,811.7	45%
Water distribution services					
China					
– Subsidiaries	1,186.3	9%	50%	400.5	10%
– Joint ventures				40.5	1%
				441.0	11%
Overseas					
– Subsidiaries	276.6	2%	34%	65.7	2%
– Joint ventures				9.7	–
				75.4	2%
	1,462.9	11%		516.4	13%
Subtotal	5,202.2	38%		2,328.1	58%

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

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

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

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

	Revenue				Profit attributable to shareholders of the Company			
	For the six months ended 30 June		Increase/(Decrease)		For the six months ended 30 June		Increase/(Decrease)	
	2022	2021		%	2022	2021		%
	HK\$'M	HK\$'M	HK\$'M	%	HK\$'M	HK\$'M	HK\$'M	%
1. Water treatment services								
Sewage and reclaimed water treatment services								
China								
– Subsidiaries	4,704.0	3,522.1	1,181.9	34%	2,177.2	1,622.7	554.5	34%
– Joint ventures and associates					146.8	157.0	(10.2)	(6%)
					2,324.0	1,779.7	544.3	31%
GP ratio	60%	61%		(1%)				
Overseas								
– Subsidiaries	238.3	217.2	21.1	10%	32.2	32.0	0.2	1%
GP ratio	23%	24%		(1%)				
	4,942.3	3,739.3	1,203.0	32%	2,356.2	1,811.7	544.5	30%
Water distribution services								
China								
– Subsidiaries	1,299.0	1,186.3	112.7	10%	419.2	400.5	18.7	5%
– Joint ventures					99.6	40.5	59.1	146%
					518.8	441.0	77.8	18%
GP ratio	50%	50%		–				
Overseas								
– Subsidiaries	262.9	276.6	(13.7)	(5%)	57.3	65.7	(8.4)	(13%)
– Joint ventures					14.2	9.7	4.5	46%
					71.5	75.4	(3.9)	(5%)
GP ratio	30%	34%		(4%)				
	1,561.9	1,462.9	99.0	7%	590.3	516.4	73.9	14%
Subtotal	6,504.2	5,202.2	1,302.0	25%	2,946.5	2,328.1	618.4	27%
2. Construction services for the water environmental renovation								
Construction services for comprehensive renovation projects								
– Projects with completion rate more than 10%	819.3	1,494.9	(675.6)	(45%)	208.0	277.5	(69.5)	(25%)
– Interest income	–	–	–	–	221.9	217.2	4.7	2%
	819.3	1,494.9	(675.6)	(45%)	429.9	494.7	(64.8)	(13%)
GP ratio	17%	18%		(1%)				
Construction of BOT water projects								
– China	2,232.6	5,422.6	(3,190.0)	(59%)	288.5	734.7	(446.2)	(61%)
GP ratio	19%	19%		–				
Subtotal	3,051.9	6,917.5	(3,865.6)	(56%)	718.4	1,229.4	(511.0)	(42%)
3. Technical services and sale of machineries for the water environmental renovation								
GP ratio	40%	53%		(13%)				
	1,089.8	1,549.5	(459.7)	(30%)	143.8	445.0	(301.2)	(68%)
Business results	10,645.9	13,669.2	(3,023.3)	(22%)	3,808.7	4,002.5	(193.8)	(5%)
Others					(3,114.7)	(1,581.7)	(1,533.0)	97%
Total					694.0	2,420.8	(1,726.8)	(71%)

2. Business review

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

2.1 Water treatment services

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

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

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

Analysis of projects on hand is as follows:

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

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

* *Excluded entrustment operation contracts*

§ *Included a seawater desalination plant*

2.1.1 Sewage and reclaimed water treatment services

2.1.1a Mainland China:

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

Southern China

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

* *Excluded entrustments operation contracts*

Western China

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

Shandong

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

Eastern China

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

Northern China

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

2.1.1b Overseas:

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

2.1.2 Water distribution services

2.1.2a Mainland China:

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

2.1.2b Overseas:

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

2.2 Construction services for the water environmental renovation

2.2.1 Construction services for comprehensive renovation projects

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

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

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

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

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

2.2.2 Construction of BOT water projects

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

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

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

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

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

3. Financial analysis

3.1 Revenue

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

3.2 Cost of sales

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

3.3 Gross profit margin

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

Gross margin for sewage and reclaimed water treatment services:

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

Gross margin for water distribution services:

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

Gross margin for construction services for comprehensive renovation projects:

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

Gross margin for construction of BOT water projects:

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

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

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

3.4 Other income and gains, net

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

3.5 Administrative expenses

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

3.6 Other operating expenses, net

Other operating expenses for the period increased to HK\$1,800.9 million, compared to last period of HK\$306.9 million. The increase was mainly due to (1) loss on deemed disposal of an associate, Shandong Hi-Speed New Energy Group Limited (“SDHS New Energy”) (formerly known as Beijing Enterprises Clean Energy Group Limited”), amounted to HK\$1,091.0 million in current period. On 19 May 2022, SDHS New Energy issued and allotted 48,804,039,247 new shares to Profit Plan Global Investment Limited. Accordingly, the Company’s indirect shareholding percentage in SDHS New Energy was diluted from 31.88% to approximately 18.03%. Under the *Hong Kong Accounting Standard 28 – Investments in Associates and Joint Ventures*, the Group recognised a deemed disposal loss as a result of such dilution; and (2) loss on remeasurement of an associate, BEURG, amounted to HK\$172.9 million before consolidation of BEURG as a subsidiary of the Group. The deemed disposal loss of an associate and loss on remeasurement of an associate are one-off and non-cash in nature. It does not have any impact on the cashflow of the Group.

3.7 Finance costs

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

3.8 Share of profits of joint ventures

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

3.9 Share of profits of associates

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

3.10 Income tax expense

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

3.11 Profit attributable to holders of perpetual capital instruments

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

3.12 Property, plant and equipment

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

3.13 Right-of-use assets

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

3.14 Investment properties

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

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

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

By accounting nature:

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

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

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

By business nature:

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

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

3.16 Operating concessions

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

3.17 Investments in joint ventures

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

3.18 Investments in associates

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

3.19 Prepayments, deposits and other receivables

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

3.20 Cash and cash equivalents

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

3.21 Other payables and accruals

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

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

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

3.23 Perpetual capital instruments

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

3.24 Non-controlling interests

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

3.25 Bank and other borrowings

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

3.26 Corporate bonds

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

3.27 Trade payables

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

3.28 Deferred Income

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

3.29 Liquidity and financial resources

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

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

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

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

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

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

3.30 Capital expenditures

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

4. Future outlook

4.1 Sustainable Development

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

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

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

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

4.2 *Future Development*

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

EMPLOYEES AND REMUNERATION POLICIES

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

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

CHARGES ON THE GROUP'S ASSETS

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

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

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

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

- (ii) mortgages over certain land use rights and buildings and investment properties of the Group;
- (iii) guarantees given by the Company and/or its subsidiaries;
- (iv) pledges over the Group's equity interests in certain subsidiaries;
- (v) pledges over certain of the Group's bank balances; and/or
- (vi) pledges over certain of the Group's trade receivables and amounts due from contract customers.

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

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

(a) Guarantees

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

(b) Litigation

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

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

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

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 30 September 2022 to Wednesday, 5 October 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the 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, 29 September 2022.

CORPORATE GOVERNANCE

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

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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 2022 interim report will be dispatched to shareholders of the Company 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
Xiong Bin
Chairman

Hong Kong, 30 August 2022

As at the date of this announcement, the board of directors of the Company comprises eight executive directors, namely 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 and Mr. Li Li, one non-executive director, namely Mr. Wang Dianchang and five independent non-executive directors, namely Mr. Shea Chun Lok Quadrant, Mr. Zhang Gaobo, Mr. Guo Rui, Mr. Wang Kaijun and Mr. Chau On Ta Yuen.