



北控水務集團有限公司

BEIJING ENTERPRISES WATER GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code: 371)

BEIJING ENTERPRISES WATER
GROUP LIMITED



Interim
Report

2019





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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
Mr. Li Li

Independent Non-executive Directors

Mr. Shea Chun Lok Quadrant
Mr. Zhang Gaobo
Mr. Guo Rui
Mr. Wang Kaijun
Dr. Lee Man Chun Raymond

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Zhang Gaobo (*Chairman*)
Mr. Guo Rui
Ms. Qi Xiaohong

COMPANY SECRETARY

Mr. Tung Woon Cheung Eric

AUDITORS

Ernst & Young

STOCK CODE

371

WEBSITE

www.bewg.net

REGISTERED OFFICE

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Bermuda

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Wanchai
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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

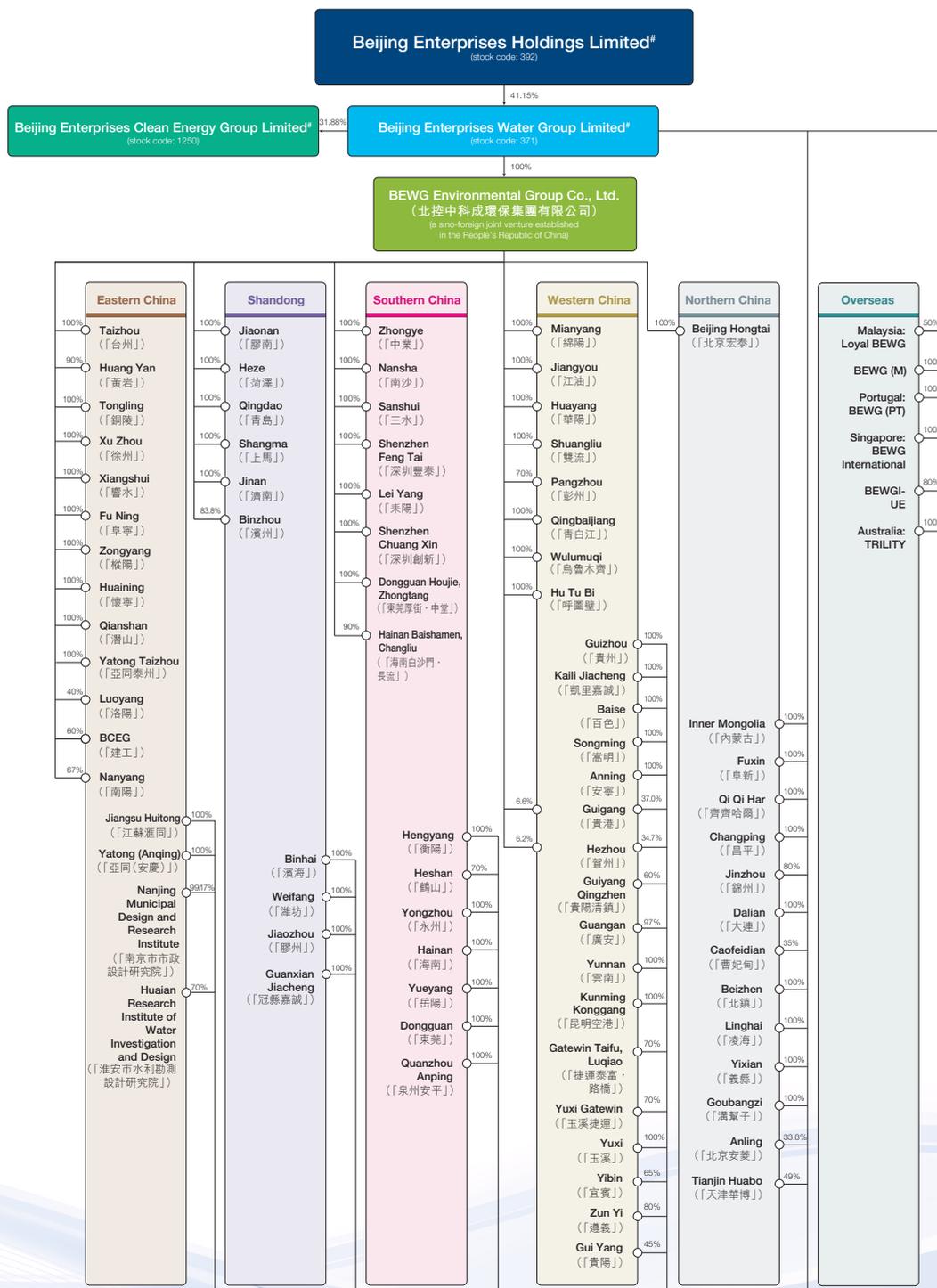
In Hong Kong:
Bank of China (Hong Kong) Limited
Bank of Communications Co., Limited
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited

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



GROUP STRUCTURE

30 June 2019



[#] Listed on the Main Board of The Stock Exchange of Hong Kong Limited

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

CHAIRMAN'S STATEMENT

Dear shareholders,

In the first half of 2019, the global economy is slowing down its growth momentum amid complexities, while China's economic development remained stable in general with moderate improvement and the supply-side structural reform has been in progress. Under such background, Beijing Enterprises Water Group Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") vigorously explored innovative business models, headed towards an asset-light enterprise and drove the growth of both core and emerging businesses according to its yearly business goals and work tasks, and hence delivered a satisfactory growth in operating results.

PERFORMANCE REVIEW

For the six months ended 30 June 2019, the Group recorded revenue of HK\$12,829.1 million, which grew by 28% as compared with the last period. Profit attributable to shareholders of the Company amounted to HK\$2,769.9 million, which increased by 17% as compared with the last period. Basic earnings per share for the period was HK28.68 cents. In recognition of the continuous support of the shareholders to the Company, the board of directors of the Company (the "Board") resolved to make an interim cash distribution of HK10.7 cents per share to the shareholders.

In the first half of 2019, the central government continues to conduct its in-depth inspection focusing on key issues in specific regions and industries. The Ministry of Ecology and Environment has implemented the Action Plan for Prevention and Control of Water Pollution (《水污染防治行動計劃》) and pushed ahead with other actions plans or implementation proposals including the protection and rehabilitation of the Yangtze River, the treatment of black-and-malodorous water in urban areas, the comprehensive renovation of the Bohai Sea, the pollution treatment in rural areas, thereby offering ample room for the development of the ecological treatment sector. Benefitting from the continuous efforts in building an ecological civilisation in China, the Group's total daily design capacity was 37,761,558 tons as at 30 June 2019 with a net increase in daily treatment capacity of 936,925 tons.

The Group pioneered a new co-operation model with China Three Gorges Corporation to set up the Yangtze Eco-Environmental Protection Industry Alliance* (長江生態環保產業聯盟) and set up a joint venture, which won the bid for the public-private-partnership ("PPP") project of the comprehensive renovation of the urban sewage system of the city centre of Yueyang. Such project is among the first major show projects for the protection of the Yangtze River and serves a professional role in the national strategy for the integration in the Yangtze River Delta Region.

As to the emerging businesses, the efforts of the strategic integration of hazardous waste treatment and environmental and hygiene services under the urban resource business have been effective. The clean energy business has been making steady progress. The overseas presence has been expanded to Botswana and Angola in Africa. The Group has also actively responded to the national strategy of rural area revival by promoting the exemplary role of its rural sewage treatment projects in Yixing and Mining in the industry taking the advantage of the favourable policy of rural pollution treatment.

* *for identification purpose only*



CHAIRMAN'S STATEMENT

PERFORMANCE REVIEW *(Continued)*

For the purpose of effectively preventing systematic risk in finance, the Chinese government has carried out its deleveraging, economic restructuring, risk prevention and maintaining stability activities to ensure stable market operation. With tightening financial regulations, corporations are under greater pressure for financing. Policies in relation to PPP projects have limited the scope to develop local PPP projects. The homogeneous competition in the industry has led to greater rivalry among market players.

To better cope with the new development and challenges in the environmental industry, the Group has increased its efforts in building “dual platforms” for asset management and operational management according to its comprehensive and innovative strategies. Being persistent towards an asset-light enterprise and supporting the brand with technology-based operations, the Group endeavours to pursue quality development with an asset-light model.

CORPORATE MANAGEMENT AND CONTROL

In the first half of 2019, the Group reinforced its standardised organisational structure and established a system for centralised management to promote standardisation in three major areas, namely organisation, job positions and projects. A central database was set up.

With a view to boosting the effectiveness and efficiency of its operations and ensuring the smooth implementation of its strategies, the Group has embarked on its major annual projects to restructure its performance system, revitalise the organisation and enhance the dynamic of the existing system.

SUSTAINABLE DEVELOPMENT

In the second half of 2019, the Group will endeavour to grasp a strategic move 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.

With respect to 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 particularly invested in favourable regions and sectors.

With respect to 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.

CHAIRMAN'S STATEMENT

SUSTAINABLE DEVELOPMENT *(Continued)*

With respect to the operational construction capacity, the Group will emphasize on the adoption of a highly efficient operation and standardisation management model. Efforts will be put in the study and application of operational technology and the establishment of an 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 protection of the operation of PPP projects in compliance with those policies.

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 remains 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.

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

Li Yongcheng

Chairman

28 August 2019



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%	

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

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

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	HK\$'M	%		HK\$'M	%
2. Construction services for the water environmental renovation					
Construction services for comprehensive renovation projects					
– Projects with completion rate more than 10% [§]	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.



MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

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

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	HK\$'M	%	%	HK\$'M	%
1. Water treatment services					
Sewage and reclaimed water treatment services					
China					
– Subsidiaries	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%

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

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

	Revenue		GP ratio	Profit attributable to shareholders of the Company	
	HK\$'M	%	%	HK\$'M	%
2. Construction services for the water environmental renovation					
Construction services for comprehensive renovation projects					
– Projects with completion rate more than 10% [§]	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.



MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

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		Increase/(Decrease)		For the six months ended 30 June		Increase/(Decrease)	
	2019 HK\$'M	2018 HK\$'M	HK\$'M	%	2019 HK\$'M	2018 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%
<i>GP ratio</i>	58%	58%		–				
Overseas								
– Subsidiaries	181.8	162.0	19.8	12%	32.0	30.5	1.5	5%
<i>GP ratio</i>	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%
<i>GP ratio</i>	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%
<i>GP ratio</i>	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%

MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*

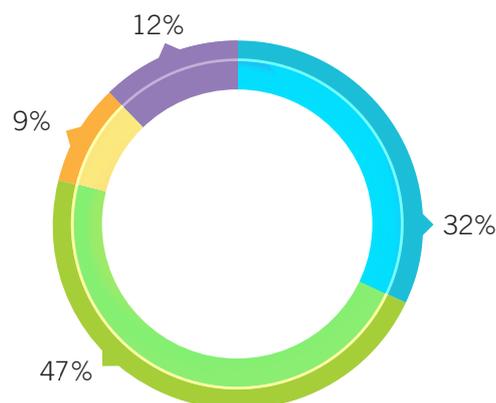
The comparison of the Group's financial results for the six months ended 30 June 2019 and 2018 is set out in details below: *(Continued)*

	Revenue				Profit attributable to shareholders of the Company			
	For the six months ended 30 June		Increase/(Decrease)		For the six months ended 30 June		Increase/(Decrease)	
	2019 HK\$'M	2018 HK\$'M	HK\$'M	%	2019 HK\$'M	2018 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	2,463.2	758.0	31%	845.5	721.7	123.8	17%
– Interest income	–	–	–	–	63.0	91.2	(28.2)	(31%)
<i>GP ratio</i>	27%	26%		1%	908.5	812.9	95.6	12%
Construction of BOT water projects								
– China	4,718.5	3,288.7	1,429.8	43%	861.9	593.4	268.5	45%
<i>GP ratio</i>	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								
<i>GP ratio</i>	60%	63%	24.4	2%	356.8	348.5	8.3	2%
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%



MANAGEMENT DISCUSSION AND ANALYSIS

1. FINANCIAL HIGHLIGHTS *(Continued)*



Profit attributable to shareholders of the Company (Six months ended 30 June 2019)

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

2. BUSINESS REVIEW

The principal businesses of the Group include operations in water treatment business, construction and technical services for the water environmental renovation. The coverage of the Group's water plants has extended to 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.

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

Analysis of projects on hand is as follows:

	Sewage treatment	Reclaimed water treatment	Water distribution	Seawater desalination	Total
<i>(Tons)</i>					
China					
In operation	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
<i>(Number of water plants)</i>					
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



MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

	Number of plants	Design capacity <i>(Tons/Day)</i>	Actual processing volume during the period* <i>(Tons (M))</i>	Revenue <i>(HK\$'M)</i>	Profit attributable to shareholders of the Company <i>(HK\$'M)</i>
Sewage and reclaimed water treatment services:					
Mainland China:					
– Southern China	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

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.1 Sewage and reclaimed water treatment services

2.1.1a Mainland China

As at 30 June 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.



MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

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

2.1.1a Mainland China *(Continued)*

Shandong

There were 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 HK\$32.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

2.1 Water treatment services *(Continued)*

2.1.2 Water distribution services

2.1.2a Mainland China:

As at 30 June 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.



MANAGEMENT DISCUSSION AND ANALYSIS

2. BUSINESS REVIEW *(Continued)*

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

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

According to the construction contracts, the Group charges an interest on the trade receivables from the customers with reference to certain mark-up on The People's Bank of China's lending rate for the period from the completion of the construction to time of the receipt of the trade receivables. Interest income from water environmental renovation projects attributable to shareholders of the Company was HK\$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.

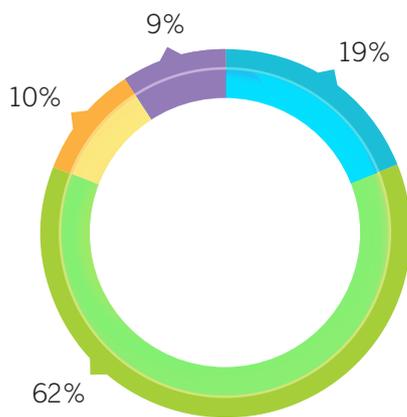
Revenue from the provision of technical services and sales of machineries was HK\$1,202.9 million (six months ended 30 June 2018: HK\$1,178.5 million), representing 10% of the Group's total revenue. Profit attributable to shareholders of the Company was HK\$356.8 million (six months ended 30 June 2018: HK\$348.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

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.



Revenue
(Six months ended 30 June 2019)

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

3.2 Cost of sales

Cost of sales for the period amounted to HK\$8,056.9 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.



MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.3 Gross profit margin

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

Gross margin for sewage and reclaimed water treatment services:

Gross margin for sewage and reclaimed water treatment services in Mainland China was 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%).

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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.



MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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 HK\$'M	Current HK\$'M	Total HK\$'M	Non-current HK\$'M	Current HK\$'M	Total 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

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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

By accounting nature: *(Continued)*

- (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	21,666.2	19,817.2
Technical and consultancy services and other businesses	3,013.1	2,693.5
Total	85,613.6	75,696.6



MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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

By business nature: *(Continued)*

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\$21,666.2 million (31 December 2018: HK\$19,817.2 million). Total receivables for technical and consultancy services and other businesses were HK\$3,013.1 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.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL ANALYSIS *(Continued)*

3.25 Liquidity and financial resources *(Continued)*

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
	<i>Notes</i>		
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 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	3,293,500	2,770,242
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	(438,532)	(332,646)
– Release upon disposal of subsidiaries	5	–
Loss on revaluation of available-for-sale investments	–	(749)
	(438,527)	(333,395)
<i>Items that will not to be reclassified to profit or loss in subsequent periods:</i>		
– 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

	<i>Notes</i>	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	9	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	10	28,375,035	27,612,518
Trade receivables	11	3,051,599	2,903,593
Prepayments, deposits and other receivables	12	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	10	3,822,273	3,252,496
Trade receivables	11	4,831,730	4,196,758
Prepayments, deposits and other receivables	12	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

30 June 2019

	<i>Notes</i>	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Issued capital	13	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	14	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	15	22,038,273	17,872,645
Other payables and accruals	14	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



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to shareholders of the Company															Total equity (unaudited)
	Issued capital (unaudited)	Share premium account (unaudited)	Share held under the share award scheme (unaudited)	Contributed surplus (unaudited)	Share option reserve (unaudited)	Capital reserve (unaudited)	Property revaluation reserve (unaudited)	Fair value reserve (unaudited)	Defined benefit plan reserve (unaudited)	Exchange fluctuation reserve (unaudited)	PRC reserve funds (unaudited)	Retained profits (unaudited)	Total (unaudited)	Perpetual capital instruments (unaudited)	Non-controlling interests (unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2019	941,299	-	-	8,413,729	254,178	(90,564)	122,482	87,456	(54,678)	(3,194,333)	1,597,788	17,412,180	25,489,537	6,350,900	5,971,700	37,812,137
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	2,769,856	2,769,856	120,146	403,498	3,293,500
Other comprehensive income/(loss) for the period:																
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	-	(370,155)	-	(370,155)	(28,867)	(39,510)	(438,532)	
Release upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	5	-	5	-	-	5	
Share of other comprehensive loss of a joint venture	-	-	-	-	-	-	-	-	(3,878)	-	-	(3,878)	-	-	(3,878)	
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	31,679	-	-	-	31,679	-	-	31,679	
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	31,679	(3,878)	(370,150)	-	2,769,856	2,427,507	91,279	363,988	2,882,774
Issue of shares (note 13)	59,840	2,507,284	-	-	-	-	-	-	-	-	-	2,567,124	-	-	2,567,124	
Shares purchased for the share award scheme	-	-	(101,700)	-	-	-	-	-	-	-	-	(101,700)	-	-	(101,700)	
Exercise of share options (note 13)	403	12,283	-	-	(3,640)	-	-	-	-	-	-	9,046	-	-	9,046	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	85,298	85,298	
Acquisition of non-controlling interests	-	-	-	-	-	(20,898)	-	-	-	-	-	(20,898)	-	44	(20,854)	
Share of reserves of an associate	-	-	-	-	3,746	3,395	-	-	-	-	-	7,141	-	-	7,141	
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,263)	(4,263)	
Capital contributions from non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	243,789	243,789	
Distributions paid to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	(120,146)	-	(120,146)	
Final 2018 cash distributions paid	-	-	-	(830,945)	-	-	-	-	-	-	-	(830,945)	-	-	(830,945)	
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	19,597	(19,597)	-	-	-	
Deemed disposal of partial interest in a subsidiary	-	-	-	-	-	244,308	-	-	-	-	-	244,308	-	918,463	1,162,791	
At 30 June 2019	1,001,542	2,519,567*	(101,700)*	7,582,784*	254,284*	136,241*	122,482*	119,135*	(58,556)*	(3,564,483)*	1,617,385*	20,162,439*	29,791,120	6,322,033	7,579,039	43,692,192

* These reserve accounts comprise the consolidated reserves of HK\$28,789,578,000 (unaudited) (31 December 2018: HK\$24,548,238,000) in the condensed consolidated statement of financial position as at 30 June 2019.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to shareholders of the Company														Total equity (unaudited) HK\$'000
	Issued capital (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Property revaluation reserve (unaudited) HK\$'000	Fair value/ Available-for-sale investment revaluation reserve (unaudited) HK\$'000	Defined benefit plan reserve (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	PRC reserve funds (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000	Perpetual capital instruments (unaudited) HK\$'000	Non-controlling interests (unaudited) HK\$'000	
At 1 January 2018	879,382	5,068,783	1,396,656	244,199	(210,395)	122,482	(93,694)	(46,739)	(1,206,678)	1,257,915	13,372,912	20,784,723	6,623,082	5,633,518	33,041,323
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,366,116	2,366,116	126,507	277,619	2,770,242
Other comprehensive income/(loss) for the period:															
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	(318,032)	-	-	(318,032)	(4,518)	(10,096)	(332,646)
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	-	9,240	-	-	-	9,240	-	-	9,240
Loss on revaluation of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(18,909)	-	-	-	-	(18,909)	-	-	(18,909)
Loss on revaluation of investments	-	-	-	-	-	-	(749)	-	-	-	-	(749)	-	-	(749)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(19,658)	9,240	(318,032)	-	2,366,116	2,037,666	121,989	267,523	2,427,178
Equity-settled share option arrangements	-	-	-	2,343	-	-	-	-	-	-	-	2,343	-	-	2,343
Issue of shares	61,949	3,588,946	-	-	-	-	-	-	-	-	-	3,650,895	-	-	3,650,895
Shares repurchased and cancelled	(290)	(12,220)	-	-	-	-	-	-	-	-	-	(12,510)	-	-	(12,510)
Exercise of share options	218	6,558	-	(1,685)	-	-	-	-	-	-	-	4,891	-	-	4,891
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,633)	(10,633)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(15)	(15)
Share of reserves of an associate	-	-	-	3,745	2,287	-	-	-	-	-	-	6,032	-	-	6,032
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,886)	(14,886)
Capital contributions from non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	88,764	88,764
Final 2017 cash distributions paid	-	-	(705,944)	-	-	-	-	-	-	-	-	(705,944)	-	-	(705,944)
Transfer to reserves	-	-	-	-	-	-	-	-	-	376	(376)	-	-	-	-
At 30 June 2018	941,259	8,662,067	690,612	248,402	(208,108)	122,482	(113,352)	(37,499)	(1,524,710)	1,258,291	15,738,652	25,768,096	6,745,071	5,964,271	38,477,438



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(4,992,512)	(1,423,921)
Mainland China corporate income tax paid	(402,079)	(181,861)
Overseas taxes paid	(8,605)	(684)
Net cash flows used in operating activities	(5,403,196)	(1,606,466)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(80,578)	(227,483)
Acquisition of subsidiaries	(117,425)	(1,053,664)
Settlement of acquisition consideration payable	(272,522)	–
Purchases of equity investments designated at fair value through other comprehensive income	(17,894)	–
Increase in investments in joint ventures	(850,090)	(123,177)
Proceeds from disposal of subsidiaries	1,639	40,649
Other investing cash flows, net	195,284	(24,214)
Net cash flows used in investing activities	(1,141,586)	(1,387,889)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	2,567,124	3,650,895
Proceeds from exercise of share options	9,046	4,891
Shares repurchased	–	(12,510)
Proceed from deemed disposal of partial interest in a subsidiary	1,162,791	–
Shares purchased for the share award scheme	(101,700)	–
Issue of corporate bonds	2,248,012	7,444,147
Repayment of corporate bonds	(1,984,772)	(3,762,048)
New finance lease	–	11,905
Principal portion of lease payments/finance lease rental payments	(62,441)	(67,757)
New loans	5,340,951	3,632,800
Repayment of loans	(3,794,244)	(2,416,658)
Interest paid	(1,232,295)	(898,110)
Distributions paid	(830,945)	(705,944)
Other financing cash flows, net	209,145	667,757
Net cash flows from financing activities	3,530,672	7,549,368

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3,014,110)	4,555,013
Cash and cash equivalents at beginning of period	12,608,335	8,595,856
Effect of foreign exchange rate changes, net	111,567	(225,580)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9,705,792	12,925,289
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	10,003,881	12,984,771
Less: Time deposits with maturity of more than three months when acquired	(298,089)	(59,482)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	9,705,792	12,925,289



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

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

(a) *(Continued)*

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

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

(a) *(Continued)*

As a lessee – Leases previously classified as operating leases *(Continued)*

Impacts on transition (Continued)

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) <i>HK\$'000</i> (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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

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

(a) *(Continued)*

As a lessee – Leases previously classified as operating leases *(Continued)*

Impacts on transition (Continued)

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

	<i>HK\$'000</i> (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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

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

(a) *(Continued)*

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.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

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

- (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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

2. OPERATING SEGMENT INFORMATION *(Continued)*

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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

2. OPERATING SEGMENT INFORMATION *(Continued)*

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

2. OPERATING SEGMENT INFORMATION *(Continued)*

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

30 June 2019

	Sewage and reclaimed water treatment and construction services (Unaudited) <i>HK\$'000</i>	Water distribution services (Unaudited) <i>HK\$'000</i>	Technical and consultancy services and sales of machineries (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment assets:				
Operating segments	89,594,292	21,067,779	6,506,971	117,169,042
Corporate and other unallocated items				21,880,222
				139,049,264

31 December 2018

	Sewage and reclaimed water treatment and construction services (Audited) <i>HK\$'000</i>	Water distribution services (Audited) <i>HK\$'000</i>	Technical and consultancy services and sales of machineries (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
Segment assets:				
Operating segments	82,757,032	18,995,369	5,104,464	106,856,865
Corporate and other unallocated items				19,523,843
				126,380,708



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

2. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) 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 six months ended 30 June 2019 and 2018, the Group had no transaction with any single external customer which contributed over 10% of the Group's total revenue for the period.

3. REVENUE

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

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

3. REVENUE *(Continued)*

Revenue from contracts with customers

Disaggregated revenue information

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

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

4. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
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.*



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

5. FINANCE COSTS

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

6. INCOME TAX EXPENSE *(Continued)*

	For the six months ended 30 June	
	2019	2018
	(Unaudited) HK\$'000	(Unaudited) 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.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(Continued)

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

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) 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 (Unaudited)	2018 (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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's additions of property, plant and equipment amounted to HK\$80,578,000 (six months ended 30 June 2018: HK\$227,483,000). There were disposals of property, plant and equipment with an aggregate carrying amount of HK\$93,000 (six months ended 30 June 2018: HK\$15,000) during the six months ended 30 June 2019.

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

In respect of the Group's receivables under service concession arrangements, the various Group companies have different credit policies, depending on the requirements of the locations in which they operate. 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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

11. TRADE RECEIVABLES

The Group's trade receivables arise from the provision of construction services for comprehensive renovation projects, water distribution services on the Build-Own-Operate basis, technical and consultancy services and sales of machineries. The Group's trading terms with its customers are mainly on credit and each customer has a maximum credit limit. The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one month to three months, except for customers of the construction services for comprehensive renovation projects, which will settle the amounts owed to the Group in a number of specified instalments covering periods ranging from 1 year to 25 years. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Apart from the trade receivables of certain construction services for comprehensive renovation projects which bear interest at rates ranging from 4.8% to 15.0% (31 December 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 (Unaudited) HK\$'000	31 December 2018 (Audited) 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

12. 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)
	2,748,160	2,597,895

13. SHARE CAPITAL

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
<i>Issued and fully paid:</i>		
10,015,417,871 (31 December 2018: 9,412,988,721) ordinary shares of HK\$0.10 each	1,001,542	941,299



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

13. SHARE CAPITAL *(Continued)*

A summary of the movements in the Company's issued share capital during the six months ended 30 June 2019 is as follows:

		Number of ordinary shares in issue (Unaudited)	Issued capital (Unaudited) <i>HK\$'000</i>	Share premium account (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
	<i>Notes</i>				
At 1 January 2019		9,412,988,721	941,299	–	941,299
Exercise of share options	<i>(a)</i>	4,032,000	403	12,283	12,686
Issue of shares	<i>(b)</i>	598,397,150	59,840	2,507,284	2,567,124
At 30 June 2019		10,015,417,871	1,001,542	2,519,567	3,521,109

Notes:

- (a) During the period, the subscription rights attaching to 4,032,000 share options were exercised at a subscription price of HK\$2.244 per ordinary share, resulting in the issue 4,032,000 ordinary shares of the Company for a total cash consideration of HK\$9,048,000 (before expenses). At the time when the share options were exercised, the aggregate fair value of these share options of approximately HK\$3,640,000 previously recognised in the share option reserve was transferred to the share premium account.
- (b) On 18 January 2019, the Company entered into a subscription agreement with China Yangtze Power International (Hongkong) Co., Limited (the "CYPI Subscriber"), pursuant to which, the Company agreed to allot and issue, and the CYPI Subscriber agreed to subscribe for 470,649,436 new ordinary shares of the Company at a price of HK\$4.29 per share. The subscription was completed on 18 March 2019 and the Group raised a total of approximately HK\$2,019.1 million, before expenses.

On 18 January 2019, the Company entered into a subscription agreement with Beijing Enterprises Environmental Construction Limited (the "BEECL Subscriber"), a controlling shareholder of the Company, pursuant to which, the Company agreed to allot and issue, and the BEECL Subscriber agreed to subscribe for 127,747,714 new ordinary shares of the Company at a price of HK\$4.29 per share. The subscription was completed on 18 March 2019 and the Group raised a total of approximately HK\$548.0 million, before expenses.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

14. 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)
	1,031,681	595,488



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

15. 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.

16. 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 remained in force and effective until 29 June 2019 and expired without renewal. 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

17. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases a portion of its office building, a commercial building and certain buildings for which the Group was granted the rights to use pursuant to service concession arrangements under operating lease arrangements, with leases negotiated for terms ranging from 10 months to 23 years (31 December 2018: from 9 months to 23 years). The terms of the leases generally also require the tenants to pay security deposits and to provide for periodic rent adjustments.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within one year	13,281	16,518
In the second to fifth years, inclusive	12,928	2,472
After five years	1,389	1,158
	27,598	20,148



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

18. CAPITAL COMMITMENTS

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Contracted, but not provided for		
New service concession arrangements on:		
TOT basis	717,618	544,417
BOT basis	7,188,150	6,458,483
Build-Own-Operate basis	189,915	214,840
Capital contribution to joint ventures	10,893,549	11,450,776
	18,989,232	18,668,516

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Contracted, but not provided for	1,488,136	554,854

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

19. RELATED PARTY DISCLOSURES

- (a) The Group had the following material transactions during the six months ended 30 June 2019 and outstanding balances with related parties as at 30 June 2019:
- (i) Included in the amounts due from joint ventures of the Group as at 30 June 2019 was an advance to a joint venture of US\$26,390,000 (equivalent to HK\$206,185,000) (31 December 2018: US\$26,390,000 (equivalent to HK\$206,673,000)). The amount is unsecured, bearing floating interest at LIBOR plus 2.8% per annum, and repayable on demand. Interest income of HK\$5,672,000 (six months ended 30 June 2018: HK\$4,953,000) was recognised in profit or loss during the six months ended 30 June 2019.
 - (ii) Included in the amounts due from joint ventures of the Group as at 30 June 2019 was a loan to a joint venture of RMB21,700,000 (equivalent to HK\$24,659,000) (2018: RMB21,700,000 (equivalent to HK\$24,772,000)). The amount is unsecured, bearing fixed interest at 8% per annum and repayable on 25 November 2019. Interest income of HK\$1,132,000 (six months ended 30 June 2018: Nil) was recognised in profit or loss during the six months ended 30 June 2019.
 - (iii) Included in the amounts due from joint ventures of the Group as at 30 June 2019 was a loan to a joint venture of RMB7,490,000 (equivalent to HK\$8,511,000) (31 December 2018: two loans totalling of RMB34,980,000 (equivalent to HK\$39,932,000)). The amounts are unsecured, bearing fixed interests at 4.35% (31 December 2018: 4.35% and 8%, respectively) per annum and repayable on demand (31 December 2018: repayable on demand and 16 April 2019, respectively). Interest income of HK\$1,114,000 (six months ended 30 June 2018: HK\$805,000) was recognised in profit or loss during the six months ended 30 June 2019.
 - (iv) Included in the receivables under service concession arrangements of the Group as at 30 June 2019 was an amount due from Beijing Enterprises Holdings Limited (“BEHL”), a substantial beneficial shareholder of the Company, of HK\$215,909,000 (31 December 2018: HK\$214,814,000). In February 2013, the Group acquired from BEHL the estimated future net cash income (after deducting all state and local taxes in Mainland China and operating costs) generated from the service concession arrangement on the water purification and treatment operation of the Phase 1 of No. 9 water treatment plant in Beijing for the six years ending 31 December 2018 (the “Future Income”). Imputed interest income of HK\$2,120,000 (six months ended 30 June 2018: HK\$13,223,000), which was measured at amortised cost using the effective interest rate method, was recognised in “Revenue” on the face of the condensed consolidated statement of profit or loss during the period. Further details of the transaction are set out in the Company’s circular and announcement dated 30 November 2012 and 5 February 2013, respectively.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

19. RELATED PARTY DISCLOSURES *(Continued)*

- (a) The Group had the following material transactions during the six months ended 30 June 2019 and outstanding balances with related parties as at 30 June 2019: *(Continued)*
- (v) Included in the trade receivables of the Group as at 30 June 2019 were (i) an aggregate amount of HK\$5,472,000 (31 December 2018: HK\$5,504,000) due from 北京北控環保工程技術有限公司, a wholly-owned subsidiary of BEHL which is a substantial beneficial shareholder of the Company, arising from the sewage treatment equipment trading carried out in the ordinary course of business of the Group; and (ii) an amount of HK\$2,120,000 (31 December 2018: HK\$2,130,000) due from a joint venture of the Group, arising from the provision of technical services carried out in the ordinary course of business of the Group. The balances with these companies are unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.
- (vi) Included in the trade payables of the Group as at 30 June 2019 was an amount of HK\$5,255,000 (31 December 2018: HK\$5,229,000) due to an associate of the Group, arising from the construction of certain sewage treatment facilities carried out in the ordinary course of business of the Group. There were no construction costs charged to profit or loss during the current and prior periods.
- (vii) During the six months ended 30 June 2018, the Group had engaged a related company of the Group to provide sewage treatment engineering services for the Malaysia Project at service fees of HK\$338,050,000 (MYR169,852,000), which were charged at the published prices and conditions offered by the related company to their major customers.
- (viii) Included in the amounts due to related party of the Group as at 30 June 2019 was an advance from a related party of SGD12,715,000 (equivalent to HK\$73,403,000) (31 December 2018: SGD29,684,000 (equivalent to HK\$170,534,000)). The amount is unsecured, bearing fixed interest rate at 2.5% per annum and repayable by quarterly instalments. Interest expense of HK\$1,285,000 (six months ended 30 June 2018: HK\$2,208,000) was recognised in profit or loss during the six months ended 30 June 2019.
- (ix) During the six months ended 30 June 2018, the Group had provided management services to joint ventures of the Group for HK\$27,778,000 (RMB22,500,000) which was charged based on terms mutually agreed between the Group and the joint ventures.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

19. RELATED PARTY DISCLOSURES *(Continued)*

- (a) The Group had the following material transactions during the six months ended 30 June 2019 and outstanding balances with related parties as at 30 June 2019: *(Continued)*
- (x) The Group had provided construction services for comprehensive renovation projects located in Beijing and Xi'an City in the PRC to joint ventures of the Group for HK\$133,651,000 (RMB114,940,000) (six months ended 30 June 2018: Nil) and HK\$39,768,000 (RMB34,200,000) (six months ended 30 June 2018: Nil), respectively, which were charged based on terms mutually agreed between the Group and the joint ventures.
- (xi) Pursuant to a deposit services master agreement (the "Deposit Agreement") and a supplemental agreement to the deposit services master agreement (the "Supplemental Agreement") entered into between the Company and Beijing Enterprises Group Finance Co., Ltd. ("BG Finance") on 31 March 2015 and 22 December 2015, respectively, the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time. BG Finance is a non-wholly-owned subsidiary of BEGCL and an associate of BEHL and acts as a platform for members of BEGCL and BEHL for the provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services.

The terms of the Deposit Agreement and the Supplemental Agreement commenced on the date of the Deposit Agreement and continued up to and including 31 December 2017. The daily aggregate of deposits placed by the Group with BG Finance (including any interest accrued thereon) during the terms of the Deposit Agreement and the Supplemental Agreement shall not exceed HK\$2,350,000,000.

On 30 October 2017, the Company and BG Finance further entered into a 2018 deposit services master agreement (the "2018 Deposit Agreement") whereby the Company and BG Finance continue to carry out the transactions of similar natures from time to time under the 2018 Deposit Agreement for three years from 1 January 2018 to 31 December 2020, with the terms and conditions substantially the same as those under the Deposit Agreement together with the Supplemental Agreement. The daily aggregate of deposits placed by the Group with BG Finance (including any interest accrued thereon) during the terms of the 2018 Deposit Agreement shall not exceed HK\$2,900,000,000.

The deposits placed by the Group with BG Finance as at the end of the reporting period amounted to HK\$2,811,114,000 (31 December 2018: HK\$2,737,338,000). The related interest income recognised in profit or loss during the period was not significant to the Group.

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



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

19. RELATED PARTY DISCLOSURES *(Continued)*

(a) The Group had the following material transactions during the six months ended 30 June 2019 and outstanding balances with related parties as at 30 June 2019: *(Continued)*

(xi) *(Continued)*

Loans borrowed from BG Finance by the Group as at the end of the reporting period amounted to HK\$339,622,000 (31 December 2018: HK\$551,598,000) and bear interest at floating rates ranging from 4.66% to 5.05% per annum (31 December 2018: from 4.35% to 4.75% per annum). The related interest expenses recognised in profit or loss during the period were not significant to the Group.

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

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

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Short term employee benefits	11,862	12,265
Equity-settled share option expenses	–	775
Pension scheme contributions	18	18
Total compensation paid to key management personnel	11,880	13,058

Save as disclosed above, at 30 June 2019, the Group had no other material transactions and outstanding balances with related parties.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

20. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

Assets measured at fair value:

	Fair value measurement using			Total <i>HK\$'000</i>
	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	
At 30 June 2019 (Unaudited)				
Investment properties	–	–	1,050,018	1,050,018
Financial assets at fair value through profit or loss	–	–	81,170	81,170
Equity investments designated at fair value through other comprehensive income	955,474	62,279	409,125	1,426,878
Total	955,474	62,279	1,540,313	2,558,066
At 31 December 2018 (Audited)				
Investment properties	–	–	1,052,492	1,052,492
Financial assets at fair value through profit or loss	–	–	97,854	97,854
Equity investments designated at fair value through other comprehensive income	908,331	62,279	392,069	1,362,679
Total	908,331	62,279	1,542,415	2,513,025



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

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

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 fair value measurement (31 December 2018: Nil).

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

21. 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.

22. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

These condensed consolidated financial information were approved and authorised for issue by the board of directors on 28 August 2019.

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2019, the interests and short positions of the directors in the Shares and underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code"), were as follows:

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

Name of Directors	Number of ordinary shares				Total	Approximate percentage of the Company's issued share capital (Note 2)
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Zhou Min	400,000	-	307,676,110 (Note 1)	-	308,076,110	3.0760%
Mr. Li Haifeng	80,000	-	-	-	80,000	0.0008%
Mr. Li Li	10,000	-	-	-	10,000	0.0001%

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

Associated Corporation	Name of Directors	Number of ordinary shares				Total	Approximate percentage of the associated corporation's issued share capital (Note 5)
		Personal interests	Family interests	Corporate interests	Other interests		
Beijing Enterprises Clean Energy Group Limited ("BECEG")	Mr. Zhou Min	-	-	1,824,086,800 (Note 3)	-	1,824,086,800	2.8714%
	Mr. Li Haifeng	-	-	1,127,175,080 (Note 4)	-	1,127,175,080	1.7744%



DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS *(Continued)*

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

(Continued)

Notes:

1. 307,676,110 ordinary shares of HK\$0.10 each in the share capital of the Company ("Shares") as at 30 June 2019 are held by Tenson Investment Limited which is wholly and beneficially owned by Mr. Zhou Min, the chief executive officer and an executive director of the Company.
2. The percentage represented the number of Shares over the total issued Shares of the Company as at 30 June 2019 of 10,015,417,871 Shares.
3. This represented the number of ordinary shares of BECEG of HK\$0.001 each ("BECEG Ordinary Shares") held by Tenson Investment Limited which is wholly and beneficially owned by Mr. Zhou Min, the chief executive officer and an executive director of the Company.
4. This represented the number of BECEG Ordinary Shares held by Maolin Investments Limited which is wholly and beneficially owned by Mr. Li Haifeng, an executive director of the Company.
5. The percentage represented the number of BECEG Ordinary Shares over the total issued shares of BECEG as at 30 June 2019 of 63,525,397,057 shares.

(iii) Long positions in share options of the Company

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

Save as disclosed above, as at 30 June 2019, there were no interest or short position of the directors or chief executives of the Company in the Shares, the underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), that are required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

Directors' Right to Acquire Shares

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

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No transactions, arrangements or contracts of significance to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly subsisted during the period under review.

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS *(Continued)*

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2019, so far as was known to the directors or chief executives of the Company, the following persons (not being a director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

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

Name	Notes	Number of ordinary Shares held, capacity and nature of interest			Percentage of the Company's total number of issued shares <i>(Note 7)</i>
		Beneficially owned	Through controlled corporations	Total	
Beijing Enterprises Environmental Construction Limited ("BE Environmental")		4,121,607,070	–	4,121,607,070	41.15%
Beijing Enterprises Holdings Limited ("BEHL")	(1)	–	4,121,607,070	4,121,607,070	41.15%
Modern Orient Limited ("MOL")	(2)	–	4,121,607,070	4,121,607,070	41.15%
Beijing Enterprises Investments Limited ("BEIL")	(2)	–	4,121,607,070	4,121,607,070	41.15%
Beijing Enterprises Group (BVI) Company Limited ("BE Group (BVI)")	(3)	–	4,121,607,070	4,121,607,070	41.15%
Beijing Enterprises Group Company Limited ("BEGCL")	(4)	–	4,121,607,070	4,121,607,070	41.15%
China Yangtze Power International (Hongkong) Co., Limited ("CYPI")		500,569,436	–	500,569,436	5.00%
China Yangtze Power Co., Ltd ("CYP")	(5)	–	500,569,436	500,569,436	5.00%
China Three Gorges Projects Development Co., Ltd ("CTGP")	(6)	–	500,569,436	500,569,436	5.00%
China Three Gorges Corporation ("CTG")	(6)	–	500,569,436	500,569,436	5.00%



DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS *(Continued)*

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

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

Notes:

- (1) The interest disclosed comprises the Shares owned by BE Environmental. BE Environmental beneficially holds 4,121,607,070 Shares, representing approximately 41.15% in the share capital of the Company. BE Environmental is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the Shares owned by BE Environmental.
- (2) The interest disclosed comprises the Shares owned by BEHL (through BE Environmental). MOL and BEIL are the immediate shareholders of BEHL and collectively hold approximately 20.90% of the issued share capital of BEHL. Accordingly, each of MOL and BEIL is deemed to be interested in the Shares owned by BEHL (through BE Environmental).
- (3) The interest disclosed comprises the Shares owned by BEIL and MOL (through BEHL and BE Environmental). BEHL is held directly as to approximately 41.06% by BE Group (BVI). MOL is a wholly owned subsidiary of BEIL, which is in turn directly held as to approximately 72.72% by BE Group (BVI). Accordingly, BE Group (BVI) is deemed to be interested in the Shares indirectly owned by BEIL and MOL (through BEHL and BE Environmental).
- (4) The interest disclosed comprises the Shares owned by BE Group (BVI) as detailed in note (3) above. BE Group (BVI) is a wholly-owned subsidiary of the BEGCL. Accordingly, BEGCL is deemed to be interested in the Shares indirectly owned by BE Group (BVI).
- (5) The interest disclosed comprises the Shares owned by CYPI. CYPI beneficially holds 500,569,436 Shares, representing approximately 5.00% in the share capital of the Company. CYPI is a wholly-owned subsidiary of CYP. Accordingly, CYP is deemed to be interested in the Shares owned by CYPI.
- (6) The interest disclosed comprises the Shares owned by CYP (through CYPI). CTG and CTGP are the immediate shareholders of CYP and collectively hold approximately 61.92% of the issued share capital of CYP. Accordingly, each of CTG and CTGP is deemed to be interested in the Shares owned by CYP (through CYPI).
- (7) The percentage represented the number of Shares over the total issued Share of the Company as at 30 June 2019 of 10,015,417,871.

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any persons (other than the directors or the chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME

On 28 June 2011, a new share option scheme (the “Scheme”) was adopted by the shareholders at the special general meeting of the Company and terminated the old share option scheme adopted by the Company on 20 March 2002. The purpose of the Scheme is to provide incentives to the eligible participants to use their best endeavours in assisting the growth and the development of the Group and continue to attract human resources that are valuable to the growth and the development of the Group as a whole. The Scheme became effective on 28 June 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of Shares available for issue under the Scheme is 554,127,469 Shares, representing approximately 5.53% of the Company’s ordinary Shares in issue as at 30 June 2019. The maximum number of ordinary Shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to any substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the ordinary Shares of the Company in issue at any time and with an aggregate value (based on the price of the Company’s ordinary Shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the directors of the Company may, at their discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and/or any other conditions (including the subscription price) that must be fulfilled before any option can be exercised.

The exercise period of the share options commences after a vesting period of one to five years and ends on a date which is not later than 10 years from the date of grant of the share options. The subscription price payable on exercise of share options is determinable by the directors of the Company, but may not be less than the highest of (i) the closing price of the Company’s ordinary Shares on the Stock Exchange on the date of grant of the share options; (ii) the average closing price of the Company’s ordinary Share on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company’s ordinary Shares. The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company’s share capital.

Share options granted must be taken up within 28 days from the date of offer. An aggregate of HK\$1 is payable by each eligible grantee on acceptance of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meeting. The share options are non-transferable and lapsed when expired or the grantee ceased to be an employee of the Group pursuant to the terms of the Scheme.



DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME *(Continued)*

During the six months ended 30 June 2019, no option was granted under the Scheme, the movements in the share options of the Company during the period are set out as follows:

Category of Participants/ Name	Number of Share Options					As at 30 June 2019	Grant Date	Exercisable Period	Exercise Price HK\$	Weighted Average Closing Price per Share HK\$
	As at 1 January 2019	Granted	Exercised	Lapsed	Cancelled					
Directors										
Zhou Min	11,200,000	-	-	-	-	11,200,000	24/04/2013	24/4/2014 – 23/4/2023	2.244	-
	11,200,000	-	-	-	-	11,200,000	24/04/2013	24/4/2015 – 23/4/2023	2.244	-
	11,200,000	-	-	-	-	11,200,000	24/04/2013	24/4/2016 – 23/4/2023	2.244	-
	11,200,000	-	-	-	-	11,200,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	-
	11,200,000	-	-	-	-	11,200,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	56,000,000	-	-	-	-	56,000,000				
Li Haifeng	5,200,000	-	-	-	-	5,200,000	24/04/2013	24/4/2015 – 23/4/2023	2.244	-
	5,800,000	-	-	-	-	5,800,000	24/04/2013	24/4/2016 – 23/4/2023	2.244	-
	5,800,000	-	-	-	-	5,800,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	-
	5,800,000	-	-	-	-	5,800,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	22,600,000	-	-	-	-	22,600,000				
Tung Woon Cheung Eric	1,800,000	-	-	-	-	1,800,000	24/04/2013	24/4/2014 – 23/4/2023	2.244	-
	1,800,000	-	-	-	-	1,800,000	24/04/2013	24/4/2015 – 23/4/2023	2.244	-
	1,800,000	-	-	-	-	1,800,000	24/04/2013	24/4/2016 – 23/4/2023	2.244	-
	1,800,000	-	-	-	-	1,800,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	-
	1,800,000	-	-	-	-	1,800,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	9,000,000	-	-	-	-	9,000,000				
Li Li	1,180,000	-	-	-	-	1,180,000	24/04/2013	24/4/2015 – 23/4/2023	2.244	-
	3,840,000	-	-	-	-	3,840,000	24/04/2013	24/4/2016 – 23/4/2023	2.244	-
	3,840,000	-	-	-	-	3,840,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	-
	3,840,000	-	-	-	-	3,840,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	12,700,000	-	-	-	-	12,700,000				
Shea Chun Lok Quadrant	400,000	-	-	-	-	400,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000				
Zhang Gaobo	400,000	-	-	-	-	400,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	800,000	-	-	-	-	800,000				

DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME (Continued)

Category of Participants/ Name	Number of Share Options					As at 30 June 2019	Grant Date	Exercisable Period	Exercise Price HK\$	Weighted Average Closing Price per Share HK\$
	As at 1 January 2019	Granted	Exercised	Lapsed	Cancelled					
Guo Rui	400,000	-	-	-	-	400,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000				
Wang Kaijun	400,000	-	-	-	-	400,000	24/04/2013	24/4/2014 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/04/2013	24/4/2015 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/04/2013	24/4/2016 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	-
	400,000	-	-	-	-	400,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	-
	2,000,000	-	-	-	-	2,000,000				
Sub-total	103,900,000	-	-	-	-	103,900,000				
Eligible Participants including Employees										
In aggregate	8,026,000 (Note 3)	-	-	-	-	8,026,000	24/04/2013	24/4/2014 – 23/4/2023	2.244	-
	19,234,000 (Note 3)	-	-	-	-	19,234,000	24/04/2013	24/4/2015 – 23/4/2023	2.244	-
	28,696,000 (Note 3)	-	(200,000)	-	-	28,496,000	24/04/2013	24/4/2016 – 23/4/2023	2.244	4.630 (Note 1)
	51,170,000 (Note 3)	-	(1,752,000)	-	-	49,418,000	24/04/2013	24/4/2017 – 23/4/2023	2.244	4.650 (Note 2)
	53,910,000 (Note 3)	-	(2,080,000)	-	-	51,830,000	24/04/2013	24/4/2018 – 23/4/2023	2.244	4.633 (Note 2)
	2,000,000	-	-	-	-	2,000,000	28/03/2014	1/6/2016 – 27/3/2024	5.180	-
Sub-total	163,036,000	-	(4,032,000)	-	-	159,004,000				
Total	266,936,000	-	(4,032,000)	-	-	262,904,000				

Notes:

1. It represented the closing price of the Shares immediately before the date of the share options exercised by an eligible participant during the period.
2. These represented the weighted average closing price per Share immediately before the dates of the share options exercised by eligible participants during the period.
3. Each participant was vested on 24 April 2014, 24 April 2015, 24 April 2016, 24 April 2017 and 24 April 2018 each for 20% of the share options granted.



DISCLOSEABLE INFORMATION

SHARE OPTION SCHEME *(Continued)*

Save as disclosed above, no share options were granted, exercised, lapsed or cancelled under the Scheme during the six months ended 30 June 2019.

As at 30 June 2019, there were total 262,904,000 share options outstanding under the Scheme, representing approximately 2.62% of the Company's ordinary Shares in issue.

The Company recognised the fair value of the share options, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. Upon the exercise of share options, the resulting Shares issued are recorded by the Company as additional share capital at the nominal value of the Shares, and the excess of the exercise price per Share over the nominal value of the Shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account. When the share options are forfeited/lapsed after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits as a movement in reserves. For further details, please refer to the "Summary of Significant Accounting Policies" in the 2018 annual report of the Company (the "Annual Report 2018").

SHARE AWARD SCHEME

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

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

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

DISCLOSEABLE INFORMATION

SHARE AWARD SCHEME *(Continued)*

The Company shall not make any further award of awarded shares which will result in the aggregate number of Shares held by the trustee under the Share Award Scheme at any single point in time exceed two per cent (2%) of the total issued share capital of the Company from time to time. Further details of the Share Award Scheme are set out in the announcement of the Company dated 17 December 2018.

During the six months ended 30 June 2019, 22,938,000 Shares were purchased from the market and held by the trustee. No Share was granted to eligible participants pursuant to the Share Award Scheme during the period ended 30 June 2019. As at 30 June 2019, there are 22,938,000 Shares to be available for grant of awards under the Share Award Scheme, representing approximately 0.23% of the Shares in issue.

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

Changes in information of directors since the date of the Annual Report 2018 and up to the date of this report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- Mr. Ke Jian, an executive director of the Company, is a PRC senior accountant; and
- Mr. Zhang Gaobo, an independent non-executive director of the Company, was resigned as the chief executive officer of OP Financial Limited on 16 April 2019.

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

Save as disclosed above, since the issue date of the Annual Report 2018 and up to the date of this report, there has been no change in the Board, and there has been no change in directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



DISCLOSEABLE INFORMATION

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

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

Date of the Agreement(s)/ Issuance of Notes	Nature of the Agreement(s)/Notes	Aggregate amount <i>(million)</i>	Final Maturity	Specific performance obligations
8 November 2013	Note purchase agreement with an institutional investor	RMB2,000	November 2022	<i>Note 1</i>
29 April 2015 and 5 July 2017	Term loan facility with a bank	HK\$672	April 2020	<i>Note 1</i>
8 May 2015	Note purchase agreement with an institutional investor	HK\$700	May 2020	<i>Note 1</i>
27 November 2015	Term loan facility with a bank	HK\$3,000	November 2020	<i>Note 2</i>
28 December 2015	Term loan facilities with three banks	HK\$1,760	December 2020	<i>Note 2</i>
18 December 2017	Term loan facility with a bank	HK\$4,000	December 2022	<i>Note 2</i>
24 April 2018	Subscription agreement for issuance of bonds	US\$500	May 2023	<i>Note 1</i>
25 May 2018	Issuance of medium-term notes	RMB2,000	May 2023 <i>Note 4</i>	<i>Note 1</i>
		RMB1,000	May 2025 <i>Note 4</i>	<i>Note 1</i>
20 July 2018	Issuance of medium-term notes	RMB1,000	July 2023 <i>Note 4</i>	<i>Note 1</i>
		RMB2,000	July 2025 <i>Note 4</i>	<i>Note 1</i>
14 December 2018	Term loan facilities with various banks	AU\$210	Dec 2023	<i>Note 3</i>
11 January 2019	Issuance of medium-term notes	RMB1,000	Jan 2026 <i>Note 4</i>	<i>Note 1</i>
11 January 2019	Issuance of medium-term notes	RMB1,000	Jan 2029	<i>Note 1</i>

DISCLOSEABLE INFORMATION

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER *(Continued)*

Notes:

1. (i) BEHL owns or controls at least/more than 35% of the voting rights of the issued share capital of the Company, whether directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; (ii) BEHL supervises the Company and/or have management control over the Company; (iii) BEHL is directly or indirectly the single largest shareholder of the Company; and/or (iv) the nominees of BEHL comprise the majority of the members of the Board.
2. (i) BEHL owns, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of voting rights in the Company, free from any security; (ii) BEHL supervises the Company and/or have management control over the Company; (iii) BEHL is directly or indirectly the single largest shareholder of the Company; (iv) BEGCL owns, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any security; (v) BEGCL is directly or indirectly the single largest shareholder of BEHL or supervises BEHL; and (vi) BEGCL is effectively wholly-owned, supervised and controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality* (北京市人民政府國有資產監督管理委員會) ("Beijing SASAC").
3. (i) BEHL owns, directly or indirectly, more than 35% of the issued share capital of the Company; (ii) BEHL is the single largest shareholder of the Company; (iii) BEGCL owns, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any security and (iv) BEGCL is effectively wholly-owned, supervised and controlled by Beijing SASAC.
4. Two years prior to the maturity pursuant to the terms and conditions in the medium-term notes, the Company shall be entitled to adjust the coupon rate of the medium-term notes and the note holders shall be entitled to sell back the medium-term notes to the Company.

* For identification purposes only

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



DISCLOSEABLE INFORMATION

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. Details of the intended and actual uses of the net proceeds were as follows:

Net proceeds raised (approximately)	Intended use of proceeds (approximately)	Actual use of proceeds (approximately)
HK\$2,018.6 million	<ul style="list-style-type: none">(i) 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) HK\$500.0 million for the construction of water environment comprehensive renovation projects.	<ul style="list-style-type: none">(i) HK\$145.0 million for the investment in traditional water projects including BOT and TOT projects;(ii) HK\$500.0 million for the construction of water environment comprehensive renovation projects; and(iii) HK\$1,373.6 million maintained at bank and will be used as intended.

DISCLOSEABLE INFORMATION

EQUITY FUNDS RAISING BY THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE *(Continued)*

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. Details of the intended and actual use of the net proceeds were as follows:

Net proceeds raised (approximately)	Intended use of proceeds (approximately)	Actual use of proceeds (approximately)
HK\$547.5 million	HK\$547.5 million for repayment of debts	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.



DISCLOSEABLE INFORMATION

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

Redemption of RMB2,000,000,000 3.6% 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, was scheduled to be redeemed on the maturity date in year 2021 as the bondholders did 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 Monday, 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, Hong Kong for registration not later than 4:30 p.m. on Thursday, 26 September 2019.

CORPORATE GOVERNANCE

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 as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all the 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 the directors of the Company.

AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”) comprises three independent non-executive directors of the Company, namely Mr. Shea Chun Lok Quadrant (the chairman of the Audit Committee), Mr. Zhang Gaobo and Mr. Guo Rui. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure, risk management and internal 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

The Board considers that the Group’s enhanced risk management and internal control systems were effective and adequate for the six months ended 30 June 2019. No significant areas of concern that may affect the financial, operational and compliance control functions of the Group have been identified.