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北京控股環境集團有限公司
BEIJING ENTERPRISES ENVIRONMENT GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 154)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- Revenue from continuing operations for the year amounted to HK\$1.09 billion, representing an increase of 1.71 times over last year.
- Profit for the year attributable to members of the Company amounted to HK\$190 million, representing an increase of 46% over last year.
- Basic earnings per share for the year was HK12.68 cents.
- The Board does not recommend the payment of any dividend for the year.

The board (the “Board”) of directors (the “Directors”) of Beijing Enterprises Environment Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2017, together with comparative figures for the last year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

		2017	2016
	Notes	HK\$'000	HK\$'000
CONTINUING OPERATIONS			
REVENUE	5	1,088,865	402,467
Cost of sales		<u>(780,892)</u>	<u>(290,820)</u>
Gross profit		307,973	111,647
Other income and gains, net	5	155,324	67,103
Selling and distribution expenses		(1,560)	(1,931)
Administrative expenses		(95,921)	(80,201)
Other operating expenses, net		<u>(7,817)</u>	<u>5,289</u>
PROFIT FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS	6	357,999	101,907
Finance costs	7	(60,806)	(14,257)
Share of profit of a joint venture		<u>692</u>	<u>1</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		297,885	87,651
Income tax	8	<u>(81,692)</u>	<u>(27,203)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		216,193	60,448
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation		<u>–</u>	<u>65,740</u>
PROFIT FOR THE YEAR		<u><u>216,193</u></u>	<u><u>126,188</u></u>

		2017	2016
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ATTRIBUTABLE TO:			
Members of the Company			
Continuing operations		190,308	59,922
Discontinued operation		<u>–</u>	<u>70,179</u>
		190,308	130,101
Non-controlling interests		<u>25,885</u>	<u>(3,913)</u>
		<u>216,193</u>	<u>126,188</u>
EARNINGS PER SHARE ATTRIBUTABLE TO			
MEMBERS OF THE COMPANY	9		
– Basic (<i>HK cents</i>)			
For profit for the year		<u>12.68</u>	<u>8.67</u>
For profit from continuing operations		<u>12.68</u>	<u>3.99</u>
– Diluted (<i>HK cents</i>)			
For profit for the year		<u>5.37</u>	<u>5.44</u>
For profit from continuing operations		<u>5.37</u>	<u>2.67</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>216,193</u>	<u>126,188</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
– Translation of foreign operations	240,919	(197,408)
– Release upon disposal of subsidiaries during the year	<u>–</u>	<u>(37,289)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	<u>240,919</u>	<u>(234,697)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u><u>457,112</u></u>	<u><u>(108,509)</u></u>
ATTRIBUTABLE TO:		
Members of the Company	416,118	(97,523)
Non-controlling interests	<u>40,994</u>	<u>(10,986)</u>
	<u><u>457,112</u></u>	<u><u>(108,509)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

		2017	2016
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		874,414	743,847
Investment properties		50,000	86,091
Prepaid land lease payments		51,227	48,945
Goodwill		1,122,551	1,122,551
Operating concessions		2,482,910	2,009,485
Other intangible assets		131,185	128,026
Investment in a joint venture		6,587	5,895
Receivables under service concession arrangements	10	2,110,505	1,989,998
Prepayments, deposits and other receivables		4,000	21,608
Deferred tax assets		26,176	24,937
Total non-current assets		6,859,555	6,181,383
Current assets:			
Prepaid land lease payments		1,214	1,134
Inventories		23,415	18,184
Receivables under service concession arrangements	10	55,236	46,801
Trade and bills receivables	11	141,885	152,383
Prepayments, deposits and other receivables		219,293	52,830
Pledged deposits		13,567	8,704
Cash and cash equivalents		1,968,351	1,960,314
Total current assets		2,422,961	2,240,350
TOTAL ASSETS		9,282,516	8,421,733

		2017	2016
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity attributable to members of the Company			
Share capital		2,227,564	2,227,564
Equity component of convertible bonds		158,687	158,687
Other reserves		166,950	(249,168)
		2,553,201	2,137,083
Non-controlling interests		248,892	207,898
TOTAL EQUITY		<u>2,802,093</u>	<u>2,344,981</u>
Non-current liabilities:			
Bank and other borrowings		712,762	661,689
Convertible bonds		2,088,670	2,846,457
Provision for major overhauls		5,178	3,878
Deferred income		175,293	160,115
Deferred tax liabilities		265,114	237,853
Total non-current liabilities		<u>3,247,017</u>	<u>3,909,992</u>
Current liabilities:			
Trade payables	12	424,723	292,583
Amounts due to contract customers		617	–
Other payables and accruals		1,850,208	1,767,108
Bank and other borrowings		99,762	73,555
Convertible bonds		790,436	–
Tax payables		67,660	33,514
Total current liabilities		<u>3,233,406</u>	<u>2,166,760</u>
TOTAL LIABILITIES		<u>6,480,423</u>	<u>6,076,752</u>
TOTAL EQUITY AND LIABILITIES		<u>9,282,516</u>	<u>8,421,733</u>

Notes:

1. CORPORATE INFORMATION

Beijing Enterprises Environment Group Limited (the “Company”) is a limited liability company incorporated in Hong Kong and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally involved in the solid waste treatment business which comprises the construction and operation of waste incineration plants, waste treatment and the sales of electricity and steam generated from waste incineration. The Group has disposed of its information technology (“IT”) business in 2016 and the IT business was classified as a discontinued operation.

At 31 December 2017, the immediate holding company of the Company was Idata Finance Trading Limited (“Idata”), a limited liability company incorporated in the British Virgin Islands. Idata is a wholly-owned subsidiary of Beijing Enterprises Holdings Limited (“BEHL”) whose shares are listed on the Main Board of the Stock Exchange. In the opinion of the Directors, the ultimate holding company of the Company is 北京控股集團有限公司 (“BEGCL”), which is a state-owned enterprise established in the People’s Republic of China (the “PRC”) and is wholly owned by The State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets as at 31 December 2017. Taking into account the Group’s internal resources and undertaking from certain fellow subsidiaries not to demand repayment of the amounts due by the Group to them until such time when the Group is in a position to repay without impairing its liquidity and financial position, the Directors considered that the Group will be able to operate on a going concern basis. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the years ended 31 December 2017 and 2016 included in this announcement of 2017 annual results does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2017 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2016. The auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

The adoption of the above revised standards has no significant financial effect on these financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

4. 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. Particulars of the Group's reportable operating segments are summarised as follows:

- (a) the solid waste treatment segment comprises the construction and operation of waste incineration plants, waste treatment and the sales of electricity and steam generated from waste incineration.
- (b) the corporate and others segment comprises property investment and corporate income and expense items.
- (c) the IT segment comprises the sale of IT related products, the provision of system integration and maintenance services and software development (disposed of in 2016 and classified as a discontinued operation).

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/(loss) for the period attributable to members of the Company, which is a measure of adjusted profit/(loss) for the period attributable to members of the Company from continuing operations. The adjusted profit/(loss) for the period attributable to members of the Company from continuing operations is measured consistently with the Group's profit/(loss) attributable to members of the Company from continuing operations.

Segment assets and liabilities of each of the reportable operating segments are separately managed by each of the individual operating segments.

The following tables present revenue, profit/(loss), total assets and total liabilities regarding the Group's operating segments for the years ended 31 December 2017 and 2016.

	Continuing operations			Discontinued operation	
	Solid waste treatment HK\$'000	Corporate and others HK\$'000	Sub-total HK\$'000	IT HK\$'000	Total HK\$'000
Year ended 31 December 2017					
Segment revenue	1,088,865	–	1,088,865	–	1,088,865
Cost of sales	(780,892)	–	(780,892)	–	(780,892)
Gross profit	<u>307,973</u>	<u>–</u>	<u>307,973</u>	<u>–</u>	<u>307,973</u>
Profit from operating activities	277,581	80,418	357,999	–	357,999
Finance costs	(28,157)	(32,649)	(60,806)	–	(60,806)
Share of profit of a joint venture	692	–	692	–	692
Profit before tax	250,116	47,769	297,885	–	297,885
Income tax	(52,246)	(29,446)	(81,692)	–	(81,692)
Profit for the year	<u>197,870</u>	<u>18,323</u>	<u>216,193</u>	<u>–</u>	<u>216,193</u>
Segment profit attributable to members of the Company	<u>180,360</u>	<u>9,948</u>	<u>190,308</u>	<u>–</u>	<u>190,308</u>
Segment assets	<u>7,970,684</u>	<u>1,311,832</u>	<u>9,282,516</u>	<u>–</u>	<u>9,282,516</u>
Segment liabilities	<u>2,998,031</u>	<u>3,482,392</u>	<u>6,480,423</u>	<u>–</u>	<u>6,480,423</u>
Year ended 31 December 2016					
Segment revenue	402,467	–	402,467	14,747	417,214
Cost of sales	(290,820)	–	(290,820)	(16,560)	(307,380)
Gross profit/(loss)	<u>111,647</u>	<u>–</u>	<u>111,647</u>	<u>(1,813)</u>	<u>109,834</u>
Profit/(loss) from operating activities	124,142	(22,235)	101,907	(13,999)	87,908
Gain on disposal of a subsidiary	–	–	–	80,970	80,970
Finance costs	(6,456)	(7,801)	(14,257)	(27)	(14,284)
Share of profits and losses of joint ventures	1	–	1	(1,204)	(1,203)
Profit/(loss) before tax	117,687	(30,036)	87,651	65,740	153,391
Income tax	(25,544)	(1,659)	(27,203)	–	(27,203)
Profit/(loss) for the year	<u>92,143</u>	<u>(31,695)</u>	<u>60,448</u>	<u>65,740</u>	<u>126,188</u>
Segment profit/(loss) attributable to members of the Company	<u>91,566</u>	<u>(31,644)</u>	<u>59,922</u>	<u>70,179</u>	<u>130,101</u>
Segment assets	<u>7,219,078</u>	<u>1,202,655</u>	<u>8,421,733</u>	<u>–</u>	<u>8,421,733</u>
Segment liabilities	<u>3,187,489</u>	<u>2,889,263</u>	<u>6,076,752</u>	<u>–</u>	<u>6,076,752</u>

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the non-current assets (other than financial assets) of the Group are located in Mainland China. Accordingly, in the opinion of the Directors, the presentation of geographical information would provide no additional useful information to the users of the financial statements.

Information about major customers

During the year, the Group had transactions with two external customers (2016: three) from each of which the revenue derived accounted for over 10% of the Group's total revenue from continuing operations. The revenue from continuing operations generated from sales to each of these customers is set out below:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A	183,124 [#]	–
Customer B	124,397	N/A
Customer C	N/A	163,414 [#]
Customer D	N/A	60,230
Customer E	N/A	41,558

[#] *These amounts represented the deemed construction revenue from the provision of construction services to government authorities recognised according to HK(IFRIC)-12 Service Concession Arrangements.*

N/A *Less than 10% of the Group's total revenue from continuing operations.*

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents an appropriate proportion of contract revenue of construction contracts relating to solid waste treatment, income from household waste treatment, hazardous and medical waste treatment, leachate, sludge and other treatments, sales of electricity and steam, net of value added tax and government surcharges.

An analysis of the Group's revenue, other income and gains, net from continuing operations is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Household waste treatment*	194,779	73,575
Hazardous and medical waste treatment	50,868	8,634
Leachate, sludge and other treatments	22,267	–
Sale of electricity	398,992	153,395
Sale of steam	2,298	1,704
Construction and related services*	419,661	165,159
	<u>1,088,865</u>	<u>402,467</u>
Other income		
Compensation income	86,818	–
Value added tax refund	48,001	18,153
Interest income	12,253	9,639
Rental income	3,036	3,037
Government grant [#]	1,474	5,309
Others	2,159	1,815
	<u>153,741</u>	<u>37,953</u>
Gains, net		
Fair value gain on investment properties, net	1,583	–
Foreign exchange differences, net	–	29,150
	<u>1,583</u>	<u>29,150</u>
Other income and gains, net	<u>155,324</u>	<u>67,103</u>

* *Imputed interest income under service concession arrangements during the year amounting to HK\$101,852,000 (2016: HK\$44,831,000) was included in the revenue derived from household waste treatment services and construction and related services.*

[#] *The government grant recognised by the Group during the year represented subsidies received from certain government authorities as incentives to promote and accelerate development in the local province.*

6. PROFIT FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS

The Group's profit from operating activities of continuing operations is arrived at after charging/ (crediting):

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost of raw materials consumed	114,473	60,006
Cost of waste treatment services rendered	219,813	65,113
Cost of construction and related services	328,097	116,216
Depreciation	45,466	20,028
Fair value loss/(gain) on investment properties, net	(1,583)	231
Amortisation of prepaid land lease payments	1,186	644
Amortisation of operating concessions	79,360	27,374
Amortisation of other intangible assets	6,177	4,562
Foreign exchange differences, net	<u>6,901</u>	<u>(29,150)</u>

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank and other borrowings	37,849	6,424
Imputed interest on convertible bonds	<u>32,649</u>	<u>7,801</u>
Total interest expenses	70,498	14,225
Increase in discounted amounts of provision for major overhauls arising from the passage of time	<u>244</u>	<u>32</u>
Total finance costs	70,742	14,257
Less: Interest included in operating concessions	<u>(9,936)</u>	<u>–</u>
	<u>60,806</u>	<u>14,257</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit arising in Hong Kong during the year. No provision for Hong Kong profits tax is made for the year ended 31 December 2016 as the Group did not generate any assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2017 HK\$'000	2016 HK\$'000
Current – Hong Kong		
Charge for the year	280	–
Current – Mainland China		
Charge for the year	70,635	9,371
Underprovision in prior years	214	1,883
	71,129	11,254
Deferred – Mainland China	10,563	15,949
Total tax charge for the year	81,692	27,203

9. EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY

The calculations of the basic earnings per share amounts are based on the profit for the year attributable to members of the Company, the profit from continuing operations attributable to members of the Company and the weighted average number of ordinary shares in issue during the year.

The calculations of the diluted earnings per share amounts are based on the profit for the year attributable to members of the Company, the profit from continuing operations attributable to members of the Company and the weighted average number of ordinary shares in issue, adjusted to reflect the effect of the exercise of all dilutive share options and the deemed conversion of all convertible bonds at the beginning of the year.

The calculations of basic and diluted earnings per share are based on:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
For profit for the year		
Profit for the year attributable to members of the Company, used in the basic earnings per share calculation	190,308	130,101
Imputed interest on convertible bonds	<u>32,649</u>	<u>7,801</u>
Profit for the year attributable to members of the Company, used in the diluted earnings per share calculation	<u><u>222,957</u></u>	<u><u>137,902</u></u>
For profit for the year from continuing operations		
Profit for the year from continuing operations attributable to members of the Company, used in the basic earnings per share calculation	190,308	59,922
Imputed interest on convertible bonds	<u>32,649</u>	<u>7,801</u>
Profit for the year from continuing operations attributable to members of the Company, used in the diluted earnings per share calculation	<u><u>222,957</u></u>	<u><u>67,723</u></u>
	2017	2016
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	1,500,360,150	1,500,341,024
Effect of dilution – weighted average number of ordinary shares:		
Shares options	1,453,684	7,590,718
Convertible bonds	<u>2,648,938,053</u>	<u>1,024,823,009</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	<u><u>4,150,751,887</u></u>	<u><u>2,532,754,751</u></u>

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

An aged 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 impairment, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Unbilled:		
Current portion	55,236	46,801
Non-current portion	<u>2,110,505</u>	<u>1,989,998</u>
	<u><u>2,165,741</u></u>	<u><u>2,036,799</u></u>

11. TRADE AND BILLS RECEIVABLES

Various companies of the Group 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 to six months. An aged analysis of the trade and bills receivables is regularly prepared and closely monitored in order to minimise any related credit risk. Trade and bills receivables are non-interest-bearing and the Group does not hold any collateral or other credit enhancements over its trade receivable balances.

An aged analysis of the Group's trade and bills receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 3 months	115,044	120,564
4 to 6 months	7,765	14,548
7 to 12 months	7,163	10,236
1 to 2 years	3,568	2,515
2 to 3 years	4,609	2,543
Over 3 years	<u>3,736</u>	<u>1,977</u>
	<u><u>141,885</u></u>	<u><u>152,383</u></u>

12. TRADE PAYABLES

The trade payables are non-interest-bearing and normally settled within one to six months.

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Billed:		
Less than 3 months	121,361	25,111
4 to 6 months	504	3,127
7 to 12 months	593	679
Over 1 year	9,577	20,193
	<hr/>	<hr/>
	132,035	49,110
Unbilled	292,688	243,473
	<hr/>	<hr/>
	424,723	292,583
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13. EVENTS AFTER THE REPORTING PERIOD

On 8 March 2018, the Company entered into a share purchase agreement with Mr. Du Qingjiang and Ms. Yang Lanhua (collectively the "Sellers"), pursuant to which the Company has conditionally agreed to acquire, and the Sellers have conditionally agreed to sell, 51% equity interest of 北京鑫地園林集團有限公司 ("Xindi") for a cash consideration of RMB29,000,000 (equivalent to approximately HK\$35,891,000). Xindi is principally engaged in landscaping construction, landscaping design, project survey and design and construction project management. Further details of the transaction are set out in the Company's announcement dated 8 March 2018.

14. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 31 December 2017 amounted to HK\$810,445,000 (2016: net current assets of HK\$73,590,000) and HK\$6,049,110,000 (2016: HK\$6,254,973,000) respectively.

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the environmental protection business in China with the solid waste treatment as its core business. Currently, the Group has nine solid waste treatment projects, including eight household waste incineration power generation projects with total waste treatment capacity of 9,025 tonnes/day, and one hazardous and medical waste treatment project with waste treatment capacity of 35,000 tonnes/year.

Project Name	Province	Business Model
Household waste incineration projects:		
Haidian Project (北京市海澱區循環經濟產業園再生能源發電廠項目)	Beijing	BOT
Taian Project (泰安生活垃圾焚燒發電項目)	Shandong	BOO
Changde Project (常德市生活垃圾焚燒發電項目)	Hunan	BOT
Gaoantun Project (北京高安屯垃圾焚燒項目)	Beijing	BOT
Zhangjiagang Project (張家港市生活垃圾焚燒發電廠項目)	Jiangsu	BOO
Ha'erbin Project (哈爾濱雙琦垃圾焚燒發電項目)	Heilongjiang	BOT
Shuyang Project (江蘇省沭陽縣垃圾焚燒發電項目)	Jiangsu	BOT
Wenchang Project (文昌市生活垃圾焚燒發電廠項目)	Hainan	BOT
Hazardous and medical waste treatment project:		
Hengxing Project (湖南省衡陽危險廢物處置中心項目)	Hunan	BOT

Solid Waste Treatment

Haidian Project started receiving waste in October 2016 and commenced its commissioning in November of the same year. Through detailed and comprehensive testing and commissioning during the period and conducted technical improvement of some equipment and facilities internally with more stringent emission standards, Haidian Project finally commenced its trial operation in November 2017. In 2017, the project received 693,200 tonnes of household waste, generated 220.14 million kWh of electricity and 179.25 million kWh of on-grid electricity. So far, no operating income is generated from Haidian Project (except income from construction work).

In 2017, the other eight solid waste treatment projects in operation had accomplished total household waste input volume of 2,609,100 tonnes, hazardous and medical waste treatment volume of 36,100 tonnes, leachate treatment volume of 25,800 tonnes, sludge treatment volume of 67,400 tonnes, electricity generation of 802.43 million kWh, on-grid electricity of 648.56 million kWh and steam supply volume of 38,900 tonnes.

In 2017, the solid waste treatment business of the Group contributed a revenue of HK\$669 million (excluding construction and related services), gross profit of HK\$216 million and EBITDA of HK\$323 million.

		2017	2016	Growth Rate
Household waste input volume:				
Projects in operation	(ten thousand tonnes)	260.91	105.22	148%
Haidian Project	(ten thousand tonnes)	69.32	–	–
Hazardous and medical waste treatment volume	(ten thousand tonnes)	3.61	0.72	401%
Leachate treatment volume	(ten thousand tonnes)	2.58	–	–
Sludge treatment volume	(ten thousand tonnes)	6.74	–	–
Electricity generation:				
Projects in operation	(million kWh)	802.43	306.69	162%
Haidian Project	(million kWh)	220.14	–	–
On-grid electricity:				
Projects in operation	(million kWh)	648.56	240.52	170%
Haidian Project	(million kWh)	179.25	–	–
Steam supply volume	(ten thousand tonnes)	3.89	0.84	363%
Operating results of solid waste treatment (excluding construction and related services):				
Revenue	(HK\$ million)	669.20	237.31	182%
Gross profit	(HK\$ million)	216.41	62.71	245%
EBITDA	(HK\$ million)	323.36	145.68	122%

Expansion and technological improvement projects

With the continuous facilitation of urban and rural integration, gradual improvement of waste collection and transportation system, increasing demand for waste treatment and improvement of environmental protection standards, apart from the Haidian Project construction having commenced its trial operation, the Group is conducting technological improvement and expansion works for some household waste incineration projects that are in operation.

Phase II expansion (technical modifications) of Taian Project: Two grate furnaces of household waste treatment capacity of 600 tonnes/day and a 12MW steam turbine generating unit were newly developed and standard improvements and technical modifications for the existing production facilities were implemented. As at the end of 2017, the construction progress of Phase II expansion project was completed at about 50%.

Phase II technical modifications and expansion of Changde Project: A grate furnace of household waste treatment capacity of 600 tonnes/day was newly developed and standard improvements and technical modifications for the Phase I project were implemented. As at the end of 2017, the construction progress of the project was completed at about 80%.

The Phase II expansion of Shuyang Project: A grate furnace of household waste treatment capacity of 600 tonnes/day and a 12MW steam turbine generating unit were newly developed. As at the end of 2017, the construction progress of the project was completed at about 37%.

In 2017, the Group's revenue generated from construction and related services was HK\$420 million and gross profit was HK\$92 million.

BUSINESS PROSPECT

With the imminent commercial operation of our representative Haidian Project, it will provide operating income for the Group and improve its overall capacity and market standing as a leading enterprise in the solid waste treatment industry in Beijing. The successive completion of Phase II expansion and technical modifications of the household waste incineration projects will facilitate the Group to effectively respond to the increasingly stringent environmental protection standards and further improve the operating results and industrial competitiveness of the Group.

The Company has been seeking for merger and acquisition opportunities in solid waste treatment industry and actively participating in tender projects, with a view to solidify and enhance the position of the Company in solid waste treatment industry, capturing larger market share and achieving “economies of scale”.

FINANCIAL REVIEW

Revenue and gross profit

During the year, the Group recorded revenue of HK\$1,089 million, increased by 171% as compared with revenue of HK\$402 million in last year. The growth was contributed by the completion of the acquisition of six solid waste treatment projects (the “Six New Projects”) by the end of October 2016 and the expansion construction revenue of the existing waste treatment plants during the year.

The revenue derived from the solid waste treatment and sales of electricity and steam generated amounted to HK\$669 million, increased by 182% over the last year of HK\$237 million. The revenue derived from the construction and related services amounted to HK\$420 million, increased by 154% over the last year of HK\$165 million.

Gross profit amounted to HK\$308 million, increased by 176% over the last year of HK\$112 million, gross profit margin slightly increased from 27.7% to 28.3%.

	Revenue		Gross profit		Gross profit margin	
	2017	2016	2017	2016	2017	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>%</i>	<i>%</i>
Household waste treatment	195	74				
Hazardous and medical waste treatment	51	8				
Leachate, sludge and other treatments	22	–				
Sale of electricity	399	153				
Sale of steam	2	2				
	<u>669</u>	<u>237</u>	<u>216</u>	<u>63</u>	<u>32.3</u>	<u>26.4</u>
Construction and related services	420	165	92	49	21.8	29.6
	<u>1,089</u>	<u>402</u>	<u>308</u>	<u>112</u>	<u>28.3</u>	<u>27.7</u>

Other income and gains, net

The Group recorded other income and gains, net of HK\$155 million during the year, increased by HK\$88 million as compared to last year of HK\$67 million. The other income for the year mainly comprised a compensation income (net of its carrying value of HK\$43 million) receivable from the expropriation of an investment property of HK\$87 million, value added tax refund of HK\$48 million (2016: HK\$18 million) and interest income of HK\$12 million (2016: HK\$10 million).

A net foreign exchange gain of HK\$29 million was recognised in 2016, whilst a net loss of HK\$7 million was suffered during the year.

Administrative expenses

The Group's administrative expenses for the year increased by 20% or HK\$16 million to HK\$96 million. The administrative expenses incurred by the Six New Projects during the full year of 2017 amounted to HK\$44 million, compared with those of HK\$7 million incurred during the post acquisition period in 2016 and one-off transaction costs of HK\$14 million incurred for the acquisition in 2016.

Other operating expenses, net

The Group's other operating expenses, net was mainly comprised the net foreign exchange loss of HK\$7 million recognised during the year, whilst a reversal of impairment of long aged trade receivables of HK\$6 million was recognised during the last year.

Finance costs

Due to the acquisition of the Six New Projects, the Group's finance costs for the year increased by 326% or HK\$47 million to HK\$61 million, which was mainly comprised interests on bank and other borrowings of HK\$38 million (increased annually by HK\$31 million), imputed interest on convertible bonds issued to Idata of HK\$33 million (increased annually by HK\$25 million). Interests on other borrowings of HK\$10 million incurred for expansion construction have been capitalised in operating concessions during the year.

Income tax

The Group's income tax expense for the year amounted to HK\$82 million, increased by HK\$55 million as compared with last year of HK\$27 million. The Group's effective tax rate of the Group for continuing operations was 27.4% (2016: 31%).

Discontinued operation

As part of the Group's strategic transformation, the disposal of its information technology business segment (classified as a discontinued operation) has been completed in March 2016. Profit for the year from a discontinued operation attributable to members of the Company amounted to HK\$70 million (gain on disposal of HK\$81 million net-off against share of operating loss before the completion of disposal of HK\$11 million) in last year.

Profit for the year attributable to members of the Company

Profit for the year from continuing operations attributable to members of the Company amounted to HK\$190 million, increased by 218% or HK\$130 million as compared with HK\$60 million in last year. By combining the profit from a discontinued operation of HK\$70 million in last year, profit for the year attributable to members of the Company of HK\$190 million represented an increase of 46% or HK\$60 million as compared with HK\$130 million in last year.

EBITDA from continuing operations for the year was HK\$491 million, increased by 2.18 times as compared with HK\$155 million in last year.

	EBITDA		Profit for the year		Profit attributable to members of the Company	
	2017	2016	2017	2016	2017	2016
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Continuing operations:						
Solid waste treatment segment	409	176	198	92	180	92
Corporate and others segment	82	(21)	18	(32)	10	(32)
	<u>491</u>	<u>155</u>	<u>216</u>	<u>60</u>	<u>190</u>	<u>60</u>
Discontinued operation			-	66	-	70
			<u>216</u>	<u>126</u>	<u>190</u>	<u>130</u>

FINANCIAL POSITION

Except for the expansion construction and technical modifications on certain existing household waste treatment plants, the Group had made no material investment, acquisition and disposal of subsidiaries and associated companies during the year.

Total assets and total liabilities

As at 31 December 2017, the Group had total assets and total liabilities amounted to HK\$9,283 million and HK\$6,480 million, respectively, increased by HK\$861 million and HK\$404 million as compared with those as at 31 December 2016, respectively.

Property, plant and equipment

The increase in net book value of the Group's property, plant and equipment by HK\$131 million was mainly attributable to the expansion construction work of Taian Project of HK\$107 million, which is operated under Build-Own-Operate ("BOO") arrangement.

Goodwill

Based on the results of the impairment testing of goodwill, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2017.

Operating concessions

The Group's operating concessions are recognised from the projects operated under Build-Operate-Transfer ("BOT") arrangement. The increase in its carrying value by HK\$473 million was mainly attributable to the construction work of Haidian Project of HK\$115 million, expansion construction work of Changde Project of HK\$186 million and Shuyang Project of HK\$98 million.

Receivables under service concession arrangements

The increase in the Group's receivables under service concession arrangements by HK\$129 million was mainly attributable to the construction work of Haidian Project of HK\$27 million.

Prepayments, deposits and other receivables

The increase in the Group's prepayments, deposits and other receivables by HK\$149 million was mainly attributable to the compensation income receivable from the expropriation of an investment property of HK\$133 million.

Bank and other borrowings

The Group's bank and other borrowings comprised bank loans of RMB6.8 million (wholly repayable within one year) and other borrowings from a fellow subsidiary of the Company, 北京控股集團財務有限公司, of RMB675.72 million (of which RMB77 million were repayable within one year). The weighted average interest rate of the Group's bank and other borrowings was 4.67% per annum.

Convertible bonds

The outstanding principal amount of the Company's non interest-bearing convertible bonds issued to Idata amounted to HK\$2,993.3 million, of which HK\$791 million was due in February 2018 and HK\$2,202.3 million was due in October 2021. For accounting purpose, the convertible bonds were bifurcated into liability component of HK\$2,879 million and equity component of HK\$159 million.

Deferred income

The Group's deferred income of HK\$175 million represented PRC government grants and subsidies on solid waste treatment business.

Trade payables

The increase in the Group's trade payables by HK\$132 million were mainly incurred by the unbilled construction fees accounted for in accordance with the construction progress of the relevant projects.

Other payables and accruals

Included in the Group's other payables and accruals the amounts due to fellow subsidiaries of RMB1,473 million, which are unsecured and non interest-bearing.

Liquidity and financial resources

The Group adopts conservative treasury policies in cash management. As at 31 December 2017, the Group had cash and cash equivalents amounted to HK\$1,968 million (approximately 43% of which were denominated in Renminbi and 57% of which were denominated in Hong Kong dollars and United States dollars); interest-bearing bank and other borrowings amounted to RMB683 million; non interest-bearing amounts due to certain fellow subsidiaries of the Company in aggregate amount of RMB1,473 million; and outstanding non interest-bearing convertible bonds issued to Idata in aggregate principal amount of HK\$2,993 million.

The Company has received undertaking from certain fellow subsidiaries not to demand repayment of the amounts due by the Group to them in aggregate amount of RMB1,350 million until such time when the Group is in a position to repay without impairing its liquidity and financial position.

As at 31 December 2017, the Group's current liabilities of HK\$3,233 million exceeded its current assets of HK\$2,423 million. In consideration of the stable cash recurring nature of solid waste treatment operations and the financial support of the holding company, the Directors considered that the Group will be able to operate on a going concern basis and the Group has sufficient cash resources to finance its operations in the foreseeable future.

Key performance indicators

	2017	2016
For profit from continuing operations:		
Gross profit margin	28.3%	27.7%
Operating profit margin	32.9%	25.3%
Net profit margin	19.9%	15.0%
Return on average equity	8.1%	2.8%
For profit for the year:		
Return on average equity	8.1%	6.2%
Current ratio (<i>times</i>)	0.75	1.03
Debt ratio (<i>total debt/total assets</i>)	39.8%	42.5%
Gearing ratio (<i>net debt/total equity</i>)	<u>61.5%</u>	<u>69.1%</u>

Capital expenditure and commitment

During the year, the Group's total capital expenditures amounted to HK\$523 million, of which HK\$399 million was spent on construction and modification of waste treatment plants and HK\$124 million was spent on purchase of items of plant and equipment and other intangible assets. As at 31 December 2017, the Group has capital commitment for service concession arrangements amounted to HK\$419 million.

Charges on the Group's assets

As at 31 December 2017, save as bank deposits of HK\$14 million are pledged as security deposits to the government authorities to obtain the permission for the construction of solid waste treatment plants, the Group did not have any charges on the Group's assets.

Foreign exchange exposure

The Group's businesses are principally located in Mainland China and the majority of its transactions are conducted in Renminbi. As the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, any fluctuation of exchanges rates would impact the Group's net asset value. During the year, the losses arising on settlement or translation of monetary items of HK\$7 million (2016: gains of HK\$29 million) are taken to the statement of profit or loss and the gains arising on retranslation of foreign operations of HK\$226 million (2016: losses of HK\$190 million) are recognised in the exchange fluctuation reserve. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

Contingent liabilities

The final acceptance of the construction of certain waste treatment plants have not been obtained from the relevant government authorities and the Group is still in the process of applying for certain permits in relation to their operations. According to the relevant PRC Law, the Group may be liable to administrative sanctions to be charged by the relevant government authorities due to the above matters. Nevertheless, the Company is of the view that the non-compliance incidents, individually and in aggregate, would have no material adverse impact on the operations and financial position of the Group.

Save as above, as at 31 December 2017, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 942 employees (2016: 867). Total staff cost for continuing operations of the year was HK\$158 million, increased by 89% as compared with HK\$84 million in last year. The Group's remuneration policy and package are periodically reviewed and generally structured by reference to market terms and individual performance. Discretionary bonuses are awarded to certain employees according to the assessment of individual performance.

No share option was granted or exercised and 900,000 share options of the Company were lapsed during the year. The Company has 37,620,000 share options outstanding as at 31 December 2017, which were granted on 21 June 2011 at an exercise price of HK\$1.25 per share and represented approximately 2.5% of the Company's ordinary shares in issue as at 31 December 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed below, in the opinion of the Directors, the Company has complied with all applicable code provisions (the “Code Provisions”) of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the year ended 31 December 2017.

- (a) Under Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation of a majority of directors entitled to present. However, the Company considers it is more efficient to hold Board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the Directors.
- (b) Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for non-executive Directors to voice their views by individual communication with the chairman of the Board.
- (c) Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, none of the existing non-executive Directors is appointed for a specific term, but they are subject to retirement by rotation at the general meeting in accordance with the Company’s articles of association.
- (d) Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, all independent non-executive Directors were unable to attend the general meeting of the Company held during the year due to other business engagements.
- (e) Under Code Provision C.2.5, the issuer should have an internal audit function. During the year under review, the Company has not yet established a formal internal audit department. However, the Company considers the Group’s existing risk management and internal control mechanisms are still effective and a formalised internal audit function will be set up in the near future in order to cope with the business expansion.

- (f) Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of each of the audit, remuneration and nomination committees to attend. However, the chairmen of the Board and its committees were unable to attend the annual general meeting of the Company held during the year due to other business engagements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Dr. Huan Guocang (the chairman of the Audit Committee), Dr. Jin Lizuo and Dr. Wang Jianping. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and internal controls of the Company. The Group's final results for the year ended 31 December 2017 have been reviewed and approved by the Audit Committee.

SCOPE OF WORK OF THE COMPANY'S AUDITORS IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit of loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

PURCHASE, REDEMPTION, OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the Company's website (www.beegl.com.hk) and the website of the Stock Exchange (www.hkexnews.hk). The 2017 annual report will be dispatched to shareholders and published on the websites of the Company and the Stock Exchange in due course.

APPRECIATION

The Board would like to express our gratitude to all employees, shareholders and parties from different sectors for their continuous support to the Group.

By order of the Board

E Meng

Chairman

Hong Kong, 28 March 2018

As at the date of this announcement, the board of directors of the Company comprises five executive Directors, namely Mr. E Meng, Mr. Ke Jian, Ms. Sha Ning, Ms. Qin Xuemin and Mr. Ng Kong Fat, Brian, and five independent non-executive Directors, namely Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming.