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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 2018

HIGHLIGHTS

- The Group's revenue for the year amounted to HK\$1,270 million, increased by 17% as compared with HK\$1,089 million for the last year.
- EBITDA for the year amounted to HK\$528 million, increased by 8% as compared with HK\$491 million for the last year.
- Profit for the year attributable to members of the Company amounted to HK\$265 million, increased by 39% as compared with HK\$190 million for the last year. After deducting the non-recurring items of other income and gains, profit for the year attributable to members of the Company increased by 78% as compared with last year.
- Basic earnings per share for the year amounted to HK17.7 cents.
- Net assets per share attributable to members of the Company as at 31 December 2018 amounted to HK\$1.77.
- 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 2018, together with comparative figures for the last year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
REVENUE	<i>5</i>	1,270,141	1,088,865
Cost of sales		<u>(894,774)</u>	<u>(780,892)</u>
Gross profit		375,367	307,973
Other income and gains, net	<i>5</i>	140,038	155,324
Selling and distribution expenses		(1,793)	(1,560)
Administrative expenses		(119,566)	(95,921)
Other operating expenses, net		<u>(9,365)</u>	<u>(7,817)</u>
PROFIT FROM OPERATING ACTIVITIES	<i>6</i>	384,681	357,999
Finance costs	<i>7</i>	(59,830)	(60,806)
Share of profit of a joint venture		<u>65</u>	<u>692</u>
PROFIT BEFORE TAX		324,916	297,885
Income tax	<i>8</i>	(43,528)	(81,692)
PROFIT FOR THE YEAR		<u>281,388</u>	<u>216,193</u>
ATTRIBUTABLE TO:			
Members of the Company		265,008	190,308
Non-controlling interests		<u>16,380</u>	<u>25,885</u>
		<u>281,388</u>	<u>216,193</u>
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY	<i>9</i>		
– Basic (<i>HK cents</i>)		<u>17.66</u>	<u>12.68</u>
– Diluted (<i>HK cents</i>)		<u>8.27</u>	<u>5.37</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>281,388</u>	<u>216,193</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(175,795)</u>	<u>240,919</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>105,593</u>	<u>457,112</u>
ATTRIBUTABLE TO:		
Members of the Company	102,233	416,118
Non-controlling interests	<u>3,360</u>	<u>40,994</u>
	<u>105,593</u>	<u>457,112</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
ASSETS			
Non-current assets:			
Property, plant and equipment		1,053,774	874,414
Investment properties		47,945	50,000
Prepaid land lease payments		47,957	51,227
Goodwill		1,122,551	1,122,551
Operating concessions		2,413,047	2,482,910
Other intangible assets		119,888	131,185
Investment in a joint venture		6,652	6,587
Receivables under service concession arrangements	<i>10</i>	2,022,977	2,110,505
Prepayments, other receivables and other assets		1,320	4,000
Deferred tax assets		17,748	26,176
		<hr/>	<hr/>
Total non-current assets		6,853,859	6,859,555
Current assets:			
Prepaid land lease payments		1,165	1,214
Inventories		30,249	23,415
Receivables under service concession arrangements	<i>10</i>	93,349	55,236
Trade and bills receivables	<i>11</i>	201,191	141,885
Contract assets		69,452	–
Prepayments, other receivables and other assets		164,842	219,293
Pledged deposits		11,462	13,567
Cash and cash equivalents		1,610,717	1,968,351
		<hr/>	<hr/>
Total current assets		2,182,427	2,422,961
		<hr/>	<hr/>
TOTAL ASSETS		9,036,286	9,282,516

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to members of the Company			
Share capital		2,227,564	2,227,564
Equity component of convertible bonds		147,029	158,687
Other reserves		280,841	166,950
		2,655,434	2,553,201
Non-controlling interests		299,845	248,892
TOTAL EQUITY		<u>2,955,279</u>	<u>2,802,093</u>
Non-current liabilities:			
Bank and other borrowings		789,509	712,762
Convertible bonds		2,117,717	2,088,670
Provision for major overhauls		6,026	5,178
Deferred income		160,145	175,293
Deferred tax liabilities		263,818	265,114
Total non-current liabilities		<u>3,337,215</u>	<u>3,247,017</u>
Current liabilities:			
Trade payables	<i>12</i>	468,741	424,723
Other payables and accruals		2,033,644	1,850,825
Bank and other borrowings		174,315	99,762
Convertible bonds		–	790,436
Tax payables		67,092	67,660
Total current liabilities		<u>2,743,792</u>	<u>3,233,406</u>
TOTAL LIABILITIES		<u>6,081,007</u>	<u>6,480,423</u>
TOTAL EQUITY AND LIABILITIES		<u>9,036,286</u>	<u>9,282,516</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 sale of electricity and steam generated from waste incineration.

At 31 December 2018, the immediate holding company of the Company is 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 of the Company, 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 (“HKICPA”), 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 of the Company 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 2018. Taking into account the Group’s internal resources and undertaking from the immediate holding company and a fellow subsidiary 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 of the Company 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 2018 and 2017 included in this announcement of 2018 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 2017 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 2018 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2017. 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 2018. 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

The adoption of HKFRS 9 has had no significant impact on the classification and measurement and the impairment of the financial assets of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue and related interpretations* and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The Group has concluded that the adoption of HKFRS 15 did not have a material impact on the Group's revenue recognition.

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 sale of electricity and steam generated from waste incineration.
- (b) the corporate and others segment comprises property investment, landscaping and corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measured consistently with the Group's profit for the year.

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 2018 and 2017.

	Solid waste treatment HK\$'000	Corporate and others HK\$'000	Total HK\$'000
Year ended 31 December 2018			
Segment revenue	1,145,733	124,408	1,270,141
Cost of sales	<u>(783,283)</u>	<u>(111,491)</u>	<u>(894,774)</u>
Gross profit	<u>362,450</u>	<u>12,917</u>	<u>375,367</u>
Profit from operating activities	367,947	1,722	369,669
Gain on bargain purchase of a subsidiary	–	15,012	15,012
Finance costs	(30,219)	(29,611)	(59,830)
Share of profit of a joint venture	<u>65</u>	<u>–</u>	<u>65</u>
Profit/(loss) before tax	337,793	(12,877)	324,916
Income tax	<u>(37,253)</u>	<u>(6,275)</u>	<u>(43,528)</u>
Profit/(loss) for the year	<u>300,540</u>	<u>(19,152)</u>	<u>281,388</u>
Segment profit/(loss) attributable to members of the Company	<u>286,262</u>	<u>(21,254)</u>	<u>265,008</u>
Segment assets	<u>8,074,629</u>	<u>961,657</u>	<u>9,036,286</u>
Segment liabilities	<u>3,103,092</u>	<u>2,977,915</u>	<u>6,081,007</u>

	Solid waste treatment <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2017			
Segment revenue	1,088,865	–	1,088,865
Cost of sales	<u>(780,892)</u>	<u>–</u>	<u>(780,892)</u>
Gross profit	<u>307,973</u>	<u>–</u>	<u>307,973</u>
Profit from operating activities	277,581	80,418	357,999
Finance costs	(28,157)	(32,649)	(60,806)
Share of profit of a joint venture	<u>692</u>	<u>–</u>	<u>692</u>
Profit before tax	250,116	47,769	297,885
Income tax	<u>(52,246)</u>	<u>(29,446)</u>	<u>(81,692)</u>
Profit for the year	<u>197,870</u>	<u>18,323</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>
Segment assets	<u>7,970,684</u>	<u>1,311,832</u>	<u>9,282,516</u>
Segment liabilities	<u>2,998,031</u>	<u>3,482,392</u>	<u>6,480,423</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 of the Company, 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 a single external customer (2017: two), the revenue derived from which accounted for over 10% of the Group's total revenue. The revenue generated from sales to this customer is set out below:

	2018	2017
	HK\$'000	HK\$'000
Customer A	253,164	124,397
Customer B	N/A	183,124 [#]

[#] *The amount represented the deemed construction revenue from the provision of construction services to a government authority recognised according to HK(IFRIC)-12 Service Concession Arrangements.*

N/A *Less than 10% of the Group's total revenue*

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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue from contracts with customers		
Household waste treatment*	266,348	194,779
Hazardous and medical waste treatment	66,207	50,868
Leachate, sludge and other treatments	32,330	22,267
Sale of electricity	545,930	398,992
Sale of steam	9,841	2,298
Construction and related services*	225,077	419,661
Landscaping services	124,408	–
	<u>1,270,141</u>	<u>1,088,865</u>
Other income		
Compensation income, net	–	86,818
Value-added tax refund	77,815	48,001
Interest income	31,027	12,253
Rental income	3,106	3,036
Government grant [#]	8,386	1,474
Others	4,493	2,159
	<u>124,827</u>	<u>153,741</u>
Gains, net		
Gain on bargain purchase of a subsidiary	15,012	–
Gain on disposal of items of property, plant and equipment, net	199	–
Fair value gain on an investment property	–	1,583
	<u>15,211</u>	<u>1,583</u>
Other income and gains, net	<u>140,038</u>	<u>155,324</u>

* *Imputed interest income under service concession arrangements during the year amounting to HK\$102,848,000 (2017: HK\$101,852,000) 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 provinces.*

6. PROFIT FROM OPERATING ACTIVITIES

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of raw materials consumed	156,892	114,473
Cost of waste treatment services rendered	330,597	219,813
Cost of construction services	169,347	328,097
Cost of landscaping service	111,491	–
Depreciation	48,736	45,466
Fair value gain on an investment property	–	(1,583)
Amortisation of prepaid land lease payments	1,214	1,186
Amortisation of operating concessions	87,273	79,360
Amortisation of other intangible assets	6,377	6,177
Foreign exchange difference, net	357	6,901
	<u>1,807,084</u>	<u>1,531,753</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank and other borrowings	42,915	37,849
Imputed interest on convertible bonds	29,611	32,649
	<u>72,526</u>	<u>70,498</u>
Total interest expenses	72,526	70,498
<i>Less:</i> Interest capitalised	(13,006)	(9,936)
	59,520	60,562
Other finance costs:		
Increase in discounted amounts of provision for major overhauls arising from the passage of time	310	244
	<u>59,830</u>	<u>60,806</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit arising in Hong Kong during the 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.

	2018 HK\$'000	2017 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	237	280
Current – Mainland China		
Charge for the year	31,960	70,635
Underprovision/(overprovision) in prior years	(3,965)	214
	28,232	71,129
Deferred	15,296	10,563
Total tax charge for the year	43,528	81,692

9. EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY

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

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to members of the Company, adjusted to reflect the imputed interest on convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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 or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Profit for the year attributable to members of the Company, used in the basic earnings per share calculation	265,008	190,308
Imputed interest on convertible bonds	<u>29,611</u>	<u>32,649</u>
Profit for the year attributable to members of the Company before imputed interest on convertible bonds	<u><u>294,619</u></u>	<u><u>222,957</u></u>
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,500,360,150	1,500,360,150
Effect of dilution – weighted average number of ordinary shares:		
Shares options	–	1,453,684
Convertible bonds	<u>2,062,088,738</u>	<u>2,648,938,053</u>
	<u><u>3,562,448,888</u></u>	<u><u>4,150,751,887</u></u>

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Unbilled:		
Current portion	93,349	55,236
Non-current portion	<u>2,022,977</u>	<u>2,110,505</u>
	<u><u>2,116,326</u></u>	<u><u>2,165,741</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 three months. An ageing 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 ageing 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 loss allowance, is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 3 months	148,724	115,044
4 to 6 months	22,753	7,765
7 to 12 months	10,965	7,163
1 to 2 years	14,784	3,568
2 to 3 years	2,276	4,609
Over 3 years	<u>1,689</u>	<u>3,736</u>
At 31 December	<u><u>201,191</u></u>	<u><u>141,885</u></u>

12. TRADE PAYABLES

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

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Billed:		
Less than 3 months	204,591	121,361
4 to 6 months	9,846	504
7 to 12 months	40,889	593
Over 1 year	6,572	9,577
	261,898	132,035
Unbilled	206,843	292,688
	468,741	424,723

13. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 31 December 2018 amounted to HK\$561,365,000 (2017: HK\$810,445,000) and HK\$6,292,494,000 (2017: HK\$6,049,110,000), respectively.

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the environmental protection business with the solid waste treatment as its core business. Currently, the Group is investing and operating nine solid waste treatment projects, including eight household waste incineration power generation projects with total waste treatment capacity of 9,225 tonnes/day, and one hazardous and medical waste treatment project with waste treatment capacity of 35,000 tonnes/year.

Project Name	Region	Business Model	Waste treatment capacity
Household waste incineration power generation 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	2,100 tonnes/day
Gaoantun Project (北京高安屯垃圾焚燒項目)	Beijing	BOT	1,600 tonnes/day
Ha'erbin Project (哈爾濱雙琦垃圾焚燒發電項目)	Heilongjiang	BOT	1,600 tonnes/day
Changde Project (常德市生活垃圾焚燒發電項目)	Hunan	BOT	1,400 tonnes/day
Zhangjiagang Project (張家港市生活垃圾焚燒發電廠項目)	Jiangsu	BOO	900 tonnes/day
Taian Project (泰安生活垃圾焚燒發電項目)	Shandong	BOO	800 tonnes/day
Shuyang Project (江蘇省沭陽縣垃圾焚燒發電項目)	Jiangsu	BOT	600 tonnes/day
Wenchang Project (文昌市生活垃圾焚燒發電廠項目)	Hainan	BOT	225 tonnes/day
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	35,000 tonnes/year

The Haidian project officially entered the commercial operation stage in late August 2018. The license operating period is 30 years and had started to generate stable operating profit of the Group this year.

The Phase II technical modifications and expansion of Hunan Changde Project has approached its completion stage. One grate furnace of household waste treatment capacity of 600 tonnes/day was newly constructed and put into trial operation in early 2018. For Phase II expansion (technical modifications) of Shandong Taian Project, it includes replacing two grate furnaces of household waste treatment capacity of 600 tonnes/day and one 12MW steam turbine generating unit. At present, the construction was completed and was put into partial trial operation. Phase II expansion of Jiangsu Shuyang Project was also nearly completed, one grate furnace of household waste treatment capacity of 600 tonnes/day and one 12MW steam turbine generating unit were newly constructed and is expected to be put into trial operation in 2019.

Ha'erbin Project is the most far north waste incineration project in Mainland China. Operating results were underperforming due to the extreme cold weather in winter and left-behind construction problems during the project construction periods. The Company will make further assessments on the long-term benefits generated by Ha'erbin Project, review the development direction and plan of the project, and make adjustment to the Group's resources allocation.

In 2018, total household waste treatment volume of the Group was 3,473,600 tonnes (average 9,521 tonnes/day), increased by 5.2% as compared with 3,302,300 tonnes of last corresponding period. The hazardous and medical waste treatment volume was 22,500 tonnes. The leachate treatment volume was 42,600 tonnes, and the sludge treatment volume was 84,500 tonnes. Total electricity generating volume was 1,078 million kWh, up by 5.4% from 1,023 million kWh of last year. Total on-grid electricity volume was 888 million kWh, increased by 7.2% as compared with last corresponding period of 828 million kWh. Total gas supply was 29,100 tonnes.

In 2018, revenue from solid waste treatment segment was HK\$1,146 million, up by 5.2% year-on-year, and gross profit was HK\$362 million, up by 17.7% year-on-year. EBITDA was HK\$509 million, increased by 24.5% year-on-year. Net profit after tax was HK\$300 million, up by 51.9% year-on-year.

As at the end of June 2018, the Group completed the acquisition of the 51% equity interest of Beijing Xindi Garden Group Limited (北京鑫地園林集團有限公司) (now renamed as Beijing Beifa Ecological Landscape Co., Ltd. (北京北發生態園林有限公司) (“Beifa Landscape”)), a company engaged in landscape engineering in China. Beifa Landscape possesses the national urban landscape greenery level 1 qualifications, and passed the national ISO9001 quality management and ISO14001 environmental management certification. The company puts environmental ecological management, landscape planning and design, garden engineering, garden maintenance as the core business, which opens up a new sector for the Group in the environmental protection industry.

BUSINESS PROSPECT

Beifa Landscape has shown its good development momentum. The successful bidding of the three construction and landscaping maintenance projects at the beginning of this year have secured project amounts of over RMB150 million.

With the commercial operation of our representative Beijing Haidian Project, it has improved the Group’s overall capacity and market standing as a leading enterprise in the solid waste treatment industry in Beijing. The Phase II expansion and technical modifications of the household waste incineration power generation projects under the Group will be in successive completion and put into production. The household waste incineration capacity will increase to 10,225 tonnes/day and will further improve the operating results and industrial competitiveness of the Group.

The Company has all along been seeking merger and acquisition opportunities in the solid waste treatment industry and participate actively in tender projects to strive to excel industry peers as quickly as possible under the competitive market environment, so as to enhance the market standing and presence of the Company in the solid waste treatment industry.

FINANCIAL REVIEW

Revenue and gross profit

During the year, the Group recorded revenue of HK\$1,270 million, increased by 17% as compared with last year of HK\$1,089 million. The revenue derived from the solid waste treatment and the sale of electricity and steam amounted to HK\$921 million, increased by 38% as compared with last year of HK\$669 million. The revenue derived from the construction and related services amounted to HK\$225 million, decreased by 46% as compared with last year of HK\$420 million. The revenue derived from the new business of landscaping services for the second half of the year amounted to HK\$124 million.

The Group's gross profit amounted to HK\$375 million, increased by 22% as compared with last year of HK\$308 million. The overall gross profit margin increased from 28.3% to 29.6%.

	Revenue		Gross profit		Gross profit margin	
	2018	2017	2018	2017	2018	2017
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>		
Household waste treatment	266	195				
Other solid waste treatment	99	73				
Sale of electricity and steam	556	401				
	<u>921</u>	<u>669</u>	<u>306</u>	<u>216</u>	<u>33.3%</u>	<u>32.3%</u>
Construction and related services	225	420	56	92	24.8%	21.8%
Landscaping services	124	-	13	-	10.4%	-
	<u>1,270</u>	<u>1,089</u>	<u>375</u>	<u>308</u>	<u>29.6%</u>	<u>28.3%</u>

Other income and gains, net

The Group recorded other income and gains, net of HK\$140.0 million during the year, decreased by HK\$15.3 million as compared with last year of HK\$155.3 million. The other income for the year mainly comprised value added tax refund of HK\$77.8 million (2017: HK\$48.0 million), interest income of HK\$31.0 million (2017: HK\$12.3 million). Moreover, a gain on bargain purchase of Beifa Landscape of HK\$15.0 million was recognised during the year, and a compensation income from the expropriation of an investment property of HK\$86.8 million was recognised last year.

Selling and distribution expenses

The Group's selling and distribution expenses for the year increased by 15% to HK\$1.8 million.

Administrative expenses

The Group's administrative expenses for the year increased by 25% or HK\$23.7 million to HK\$119.6 million, which was mainly due to the administrative expenses incurred by Beifa Landscape of HK\$10.0 million during the second half of the year and the increase in expenses incurred by Haidian Project of HK\$3.9 million for its commencement of commercial operation during the year.

Other operating expenses, net

The Group incurred other operating expenses, net of HK\$9.4 million during the year, increased by HK\$1.6 million as compared with last year of HK\$7.8 million. Other operating expenses mainly comprised impairment of trade receivables of HK\$7.2 million (2017: reversal of HK\$0.4 million) and exchange loss of HK\$0.4 million (2017: HK\$6.9 million).

Finance costs

The Group's finance cost for the year decreased by 2% to HK\$59.8 million, which mainly comprised interests on bank loans of HK\$5.3 million (2017: HK\$0.9 million), interests on borrowings from 北京控股集團財務有限公司 ("BG Finance"), a fellow subsidiary of the Company, of HK\$37.6 million (2017: HK\$36.9 million), imputed interest on convertible bonds issued to Idata Finance Trading Limited ("Idata"), the immediate holding company of the Company, of HK\$29.6 million (2017: HK\$32.6 million). Interests on bank and other borrowings of HK\$13.0 million (2017: HK\$9.9 million) incurred for expansion construction have been capitalised in property, plant and equipment and operating concessions during the year.

Income tax

The Group's income tax expenses for the year amounted to HK\$43.5 million, decreased by 47% or HK\$38.2 million as compared with last year of HK\$81.7 million. During the year, the Group's two major projects, Haidian Project has exempted from the corporate income tax and Gaoantun Project has qualified for the high-tech enterprises corporate income tax rate reduction from 25% to 15%. The Group's effective tax rate for the year reduced to 13.4% (2017: 27.4%).

EBITDA and profit for the year

EBITDA for the year amounted to HK\$528 million, increased by 8% or HK\$37 million as compared with last year of HK\$491 million. Profit for the year amounted to HK\$281 million, increased by 30% or HK\$65 million as compared with last year of HK\$216 million. Profit for the year attributable to members of the Company amounted to HK\$265 million, increased by 39% or HK\$75 million as compared with last year of HK\$190 million.

If deducting the gain on bargain purchase of Beifa Landscape of HK\$15 million this year and the net gain on compensation from the expropriation of an investment property of HK\$50 million last year, profit for the year attributable to members of the Company increased by 78% as compared with last year.

	EBITDA		Profit for the year		Profit attributable to members of the Company	
	2018	2017	2018	2017	2018	2017
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Solid waste treatment segment	509	409	300	198	286	180
Landscaping segment	22	–	19	–	17	–
Corporate and others segment	(3)	82	(38)	18	(38)	10
	<u>528</u>	<u>491</u>	<u>281</u>	<u>216</u>	<u>265</u>	<u>190</u>

FINANCIAL POSITION

Significant investing and financing activities

Except for (i) the acquisition of 51% equity interest in Beifa Landscape at a cash consideration of RMB29 million; and (ii) 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.

The acquisition of Beifa Landscape has been completed by the end of June 2018. The adjusted net profit of Beifa Landscape for the whole financial year ended 31 December 2018 amounted to RMB20.004 million, which has met the guaranteed profit of RMB20 million given by the vendors as stipulated under the share purchase agreement. Beifa Landscape has contributed HK\$19.3 million to the Group's profit of the year, including the gain on bargain purchase of Beifa Landscape of HK\$15.0 million.

Total assets and liabilities

As at 31 December 2018, the Group had total assets and total liabilities amounted to HK\$9,036 million and HK\$6,081 million, respectively, decreased by HK\$246 million and HK\$399 million as compared with those as at 31 December 2017, respectively.

Property, plant and equipment

The increase in net book value of the Group's property, plant and equipment by HK\$179 million was mainly attributable to the expansion construction work of Taian Project of HK\$267 million.

Goodwill

The Group acquired certain companies relating to eight solid waste treatment projects in April 2014 and October 2016 and an aggregate goodwill of HK\$1,123 million arose from these acquisitions. The Company has appointed an independent professional valuer to assess the goodwill impairment testing as the end of the reporting period. The recoverable amounts of the relevant companies were determined based on their respective values in use, which were determined based on the future cash flows of the solid waste treatment business and discounted to the present values. The Company considered that the key assumptions adopted by the valuation were reasonably conservative and appropriate. As value-in-use value of the relevant companies exceeded their aggregate carrying amount of the relevant assets, the Company is reasonably considered that no impairment provision is necessary for the Group's goodwill as at 31 December 2018.

Operating concessions

The Group's operating concessions are recognised from six solid waste treatment plants operated under Build-Operate-Transfer ("BOT") arrangements. During the year, construction expenditure of HK\$200 million has been incurred and HK\$87 million has been amortised in the statement of profit or loss.

Other intangible assets

The Group's other intangible assets mainly comprised the operating rights of two household waste treatment plants operated under Build-Own-Operate ("BOO") arrangements. During the year, HK\$6 million has been amortised in the statement of profit or loss.

Receivables under service concession arrangements

The Group's receivables under service concession arrangements are recognised from five household waste treatment plants operated under BOT arrangements with guaranteed waste treatment revenue, and was decreased by HK\$49 million as compared with last year.

Inventories

The Group's inventories of HK\$30 million mainly represented coal and consumables for the solid waste treatment plants.

Trade and bills receivables

The Group's trade and bills receivable increased by HK\$59 million to HK\$201 million, which was mainly attributable to Haidian Project of HK\$37 million and Beifa Landscape of HK\$25 million. 49% of the total trade and bills receivables are not yet due for settlement and the remaining 34% are past due less than 3 months.

Prepayments, other receivables and other assets

The decrease in the Group's prepayments, other receivables and other assets by HK\$57 million was mainly attributable to those incurred by Beifa Landscape of HK\$77 million and set off against the receipt of compensation income from the expropriation of an investment property HK\$133 million during the year.

Bank and other borrowings

The Group's bank and other borrowings were all denominated in RMB. During the year, the Group repaid all existing unsecured bank loans of RMB7 million and advanced new secured bank loans of RMB113 million which were repayable by instalment up to 2023. The Group further advanced from BG Finance of RMB32 million which were repayable by instalment up to 2028. As at the end of the reporting period, the Group has bank and other borrowings amounted to RMB844 million, of which RMB113 million from a commercial bank, RMB708 million from BG Finance and RMB23 million from other parties of Beifa Landscape. The weighted average interest rate of the Group's bank and other borrowings was 4.7% per annum.

Convertible bonds

The Group's convertible bonds were issued to Idata, non-interest-bearing and have share conversion price of HK\$1.13. During the year, convertible bonds with principal amount of HK\$791 million has been transferred to an amount due to the immediate holding company upon maturity. As at the end of the reporting period, the outstanding convertible bonds with principal amount of HK\$2,202 million will mature in October 2021. For accounting purpose, the convertible bonds were bifurcated into liability component of HK\$2,118 million and equity component of HK\$147 million.

Deferred income

The Group's deferred income of HK\$160 million represented PRC government grants and subsidies on solid waste treatment business.

Trade payables

The increase in the Group's trade payables by HK\$44 million were mainly incurred by Beifa Landscape of HK\$42 million.

Other payables and accruals

Included in the Group's other payables and accruals (i) an amount due to the immediate holding company of HK\$791 million (as transferred from convertible bonds upon maturity during the year) and (ii) amounts due to fellow subsidiaries of RMB920 million (31 December 2017: 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 2018, the Group had cash and cash equivalents amounted to HK\$1,622 million (approximately 42% of which were denominated in Renminbi and 58% of which were denominated in Hong Kong dollars and United States dollars); bank and other borrowings amounted to RMB844 million; non-interest-bearing amounts due to Idata and certain fellow subsidiaries of the Company amounted to HK\$791 million and RMB920 million, respectively; and outstanding non-interest-bearing convertible bonds issued to Idata in the principal amount of HK\$2,202 million which will mature in October 2021.

The Company has received undertaking from Idata and a fellow subsidiary not to demand repayment of the amounts due by the Group to them of HK\$791 million and RMB800 million, respectively, until such time when the Group is in a position to repay without impairing its liquidity and financial position.

As at 31 December 2018, the Group's current liabilities of HK\$2,744 million exceeded its current assets of HK\$2,182 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

	2018	2017
Gross profit margin	29.6%	28.3%
Operating profit margin	30.3%	32.9%
Net profit margin	22.2%	19.9%
Return on average equity	10.2%	8.1%
Current ratio (<i>times</i>)	0.80	0.75
Debt ratio (<i>total liabilities/total assets</i>)	67.3%	69.8%
Net gearing ratio (<i>net debt/total equity</i>)	49.8%	61.5%

Capital expenditure and commitment

During the year, the Group's total capital expenditures amounted to HK\$493 million, of which HK\$200 million was spent on construction and modification of waste treatment plants and HK\$293 million was spent on purchase of items of plant and equipment and other intangible assets. As at 31 December 2018, the Group has capital commitment for service concession arrangements amounted to HK\$91 million.

Charges on the Group's assets

As at 31 December 2018, save as (i) the Group's land and buildings with a net carrying amount of HK\$49 million and the Group's trade receivables arising from the provision of solid waste treatment service with an aggregate net carrying amount of HK\$32.5 million are pledged for the Group's bank loans; and (ii) the Group's bank deposits of HK\$11 million are pledged as security deposits to the government authorities and a customer for the provision of construction and related services 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\$0.4 million (2017: HK\$6.9 million) are taken to the statement of profit or loss and the comprehensive losses arising on retranslation of foreign operations of HK\$176 million (2017: gains of HK\$241 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 solid 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 its operation. 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 disclosed above, as at 31 December 2018, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 1,171 employees (2017: 942). Total staff cost for the year was HK\$192 million, increased by 21% as compared with HK\$158 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, exercised or forfeited during the year. The Company has 37,620,000 share options outstanding as at 31 December 2018, 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 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed below, 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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the year ended 31 December 2018.

- (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 (the “Chairman”).
- (c) Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, all existing non-executive Directors are not appointed for a specific term but subject to retirement by rotation at the annual 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, the independent non-executive Directors were unable to attend the general meetings of the Company 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 effective to safeguard the Group's assets and the shareholders' investment. In order to cope with the business expansion, a formalised internal audit functional department will be considered to establish in the future.
- (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 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 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 2018.

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 has reviewed the financial results, financial positions, risk management, internal control, impacts of the new accounting standards and management issues of the Group. The Group's final results for the year ended 31 December 2018 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 2018 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 2018 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 2019

As at the date of this announcement, the board of directors of the Company comprises four executive Directors, namely Mr. E Meng, Mr. Ke Jian, Ms. Sha Ning 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.