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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 2019

HIGHLIGHTS

- The Group's revenue for the year amounted to HK\$1.38 billion, increased by 9% as compared with HK\$1.27 billion for the last year.
- After the impairment of operating concessions of HK\$114 million, EBITDA for the year amounted to HK\$494 million, decreased by 6% as compared with HK\$528 million for the last year.
- Profit for the year attributable to members of the Company amounted to HK\$222 million, decreased by 16% as compared with HK\$265 million for the last year.
- Basic earnings per share for the year amounted to HK14.8 cents (2018: HK17.7 cents).
- Net assets per share attributable to members of the Company as at 31 December 2019 amounted to HK\$1.88 (31 December 2018: HK\$1.77).
- The Board does not recommend the payment of any dividend for the year (2018: Nil).

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 2019, together with comparative figures for the last year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
REVENUE	5	1,384,113	1,270,141
Cost of sales		<u>(899,488)</u>	<u>(894,774)</u>
Gross profit		484,625	375,367
Other income and gains, net	5	94,882	140,038
Selling and distribution expenses		(2,321)	(1,793)
Administrative expenses		(139,034)	(119,566)
Other operating expenses, net		<u>(118,984)</u>	<u>(9,365)</u>
PROFIT FROM OPERATING ACTIVITIES	6	319,168	384,681
Finance costs	7	(72,363)	(59,830)
Share of profit of a joint venture		<u>–</u>	<u>65</u>
PROFIT BEFORE TAX		246,805	324,916
Income tax	8	<u>(26,554)</u>	<u>(43,528)</u>
PROFIT FOR THE YEAR		<u>220,251</u>	<u>281,388</u>
ATTRIBUTABLE TO:			
Members of the Company		222,232	265,008
Non-controlling interests		<u>(1,981)</u>	<u>16,380</u>
		<u>220,251</u>	<u>281,388</u>
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY	9		
– Basic (<i>HK cents</i>)		<u>14.81</u>	<u>17.66</u>
– Diluted (<i>HK cents</i>)		<u>7.30</u>	<u>8.27</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>220,251</u>	<u>281,388</u>
OTHER COMPREHENSIVE 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>(64,565)</u>	<u>(175,795)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>155,686</u>	<u>105,593</u>
ATTRIBUTABLE TO:		
Members of the Company	162,276	102,233
Non-controlling interests	<u>(6,590)</u>	<u>3,360</u>
	<u>155,686</u>	<u>105,593</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
ASSETS			
Non-current assets:			
Property, plant and equipment		1,125,398	1,053,774
Investment property		47,191	47,945
Right-of-use assets		76,327	–
Prepaid land lease payments		–	47,957
Goodwill		1,122,551	1,122,551
Operating concessions		2,132,275	2,413,047
Other intangible assets		112,877	119,888
Investment in a joint venture		6,652	6,652
Receivables under service concession arrangements	<i>10</i>	1,972,804	2,022,977
Prepayments, other receivables and other assets		30,895	1,320
Deferred tax assets		7,684	17,748
		<hr/>	<hr/>
Total non-current assets		6,634,654	6,853,859
Current assets:			
Prepaid land lease payments		–	1,165
Inventories		39,668	30,249
Receivables under service concession arrangements	<i>10</i>	63,183	93,349
Trade and bills receivables	<i>11</i>	389,695	201,191
Contract assets		223,649	69,452
Prepayments, other receivables and other assets		163,097	164,842
Pledged deposits		8,642	11,462
Cash and cash equivalents		1,416,990	1,610,717
		<hr/>	<hr/>
Total current assets		2,304,924	2,182,427
		<hr/>	<hr/>
TOTAL ASSETS		8,939,578	9,036,286

	<i>Note</i>	2019 HK\$'000	2018 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	147,029
Other reserves		443,117	280,841
		2,817,710	2,655,434
Non-controlling interests		293,255	299,845
TOTAL EQUITY		<u>3,110,965</u>	<u>2,955,279</u>
Non-current liabilities:			
Bank and other borrowings		783,500	789,509
Convertible bonds		2,147,168	2,117,717
Provision for major overhauls		7,298	6,026
Other payables and accruals		19,197	–
Deferred income		150,026	160,145
Deferred tax liabilities		238,638	263,818
Total non-current liabilities		<u>3,345,827</u>	<u>3,337,215</u>
Current liabilities:			
Trade payables	<i>12</i>	527,970	468,741
Other payables and accruals		1,672,960	2,033,644
Bank and other borrowings		203,427	174,315
Tax payables		78,429	67,092
Total current liabilities		<u>2,482,786</u>	<u>2,743,792</u>
TOTAL LIABILITIES		<u>5,828,613</u>	<u>6,081,007</u>
TOTAL EQUITY AND LIABILITIES		<u>8,939,578</u>	<u>9,036,286</u>

Notes:

1. CORPORATE AND GROUP 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 2019, 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

This announcement has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated 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 dollar (“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 2019. Taking into account the Group’s internal resources and undertaking from its intermediate holding company not to demand repayment of the amounts due by the Group to its subsidiaries 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 2019 and 2018 included in this preliminary announcement of 2019 annual results does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect for the year ended 31 December 2018, 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 consolidated financial statements for the year ended 31 December 2019 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2018. 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 2019. 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 retained profits, 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 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and Annual Improvements to *HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

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

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17 and related interpretations.

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables and accruals. The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) <i>HK\$'000</i>
Assets	
Increase in right-of-use assets	93,319
Decrease in prepaid land lease payments	(49,122)
Decrease in prepayments, other receivables and other assets	<u>(1,418)</u>
Increase in total assets	<u><u>42,779</u></u>
Liabilities	
Increase in other payables and accruals	<u>42,779</u>
Increase in total liabilities	<u><u>42,779</u></u>

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

	<i>HK\$'000</i>
Operating lease commitments as at 31 December 2018	37,759
Weighted average incremental borrowing rate as at 1 January 2019	<u>5.39%</u>
Discounted operating lease commitments as at 1 January 2019	32,958
Add: Present value of lease payments for optional extension periods not recognised as at 31 December 2018	<u>9,821</u>
Lease liabilities as at 1 January 2019	<u><u>42,779</u></u>

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interest in a joint venture upon adoption of the amendments on 1 January 2019 and concluded that the long-term interest in a joint venture continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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.

During the year ended 31 December 2019, upon the development of the landscaping services business, it became a reportable operating segment. 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 landscaping services segment comprises the construction, design, project survey and design and construction project management; and
- (c) the corporate and others segment comprises property investment 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 2019 and 2018.

	Solid waste treatment <i>HK\$'000</i>	Landscaping services <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2019				
Segment revenue (<i>note 5</i>)	1,104,012	280,101	–	1,384,113
Cost of sales	<u>(688,996)</u>	<u>(210,492)</u>	<u>–</u>	<u>(899,488)</u>
Gross profit	<u>415,016</u>	<u>69,609</u>	<u>–</u>	<u>484,625</u>
Profit/(loss) from operating activities	296,648	37,088	(14,568)	319,168
Finance costs	<u>(39,848)</u>	<u>(2,689)</u>	<u>(29,826)</u>	<u>(72,363)</u>
Profit/(loss) before tax	256,800	34,399	(44,394)	246,805
Income tax	<u>(20,477)</u>	<u>(5,534)</u>	<u>(543)</u>	<u>(26,554)</u>
Profit/(loss) for the year	<u>236,323</u>	<u>28,865</u>	<u>(44,937)</u>	<u>220,251</u>
Segment profit/(loss) attributable to members of the Company	<u>252,410</u>	<u>14,865</u>	<u>(45,043)</u>	<u>222,232</u>
Segment assets	<u>8,117,033</u>	<u>417,778</u>	<u>404,767</u>	<u>8,939,578</u>
Segment liabilities	<u>2,888,400</u>	<u>316,339</u>	<u>2,623,874</u>	<u>5,828,613</u>

	Solid waste treatment <i>HK\$'000</i>	Landscaping services <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2018 (restated)				
Segment revenue (<i>note 5</i>)	1,145,733	124,408	–	1,270,141
Cost of sales	<u>(783,283)</u>	<u>(111,491)</u>	<u>–</u>	<u>(894,774)</u>
Gross profit	<u>362,450</u>	<u>12,917</u>	<u>–</u>	<u>375,367</u>
Profit/(loss) from operating activities	367,947	5,804	(4,082)	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>–</u>	<u>65</u>
Profit/(loss) before tax	337,793	20,816	(33,693)	324,916
Income tax	<u>(37,253)</u>	<u>(1,545)</u>	<u>(4,730)</u>	<u>(43,528)</u>
Profit/(loss) for the year	<u>300,540</u>	<u>19,271</u>	<u>(38,423)</u>	<u>281,388</u>
Segment profit/(loss) attributable to members of the Company	<u>286,262</u>	<u>17,150</u>	<u>(38,404)</u>	<u>265,008</u>
Segment assets	<u>8,074,629</u>	<u>212,865</u>	<u>748,792</u>	<u>9,036,286</u>
Segment liabilities	<u>3,103,092</u>	<u>150,149</u>	<u>2,827,766</u>	<u>6,081,007</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 a major customer

During the year, the Group had transactions with an external customer which accounted for over 10% of the Group's total revenue. The revenue generated from sales to this customer is amounted to HK\$314,068,000 (2018: HK\$253,164,000).

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue		
Household waste treatment*	273,433	266,348
Hazardous and medical waste treatment	53,742	66,207
Food waste, leachate, sludge and other treatments	45,181	32,330
Sale of electricity	654,092	545,930
Sale of steam	25,757	9,841
Construction and related services*	51,807	225,077
Landscaping services	280,101	124,408
	<u>1,384,113</u>	<u>1,270,141</u>
Other income		
Value-added tax refund	49,932	77,815
Interest income	15,840	31,027
Compensation income	20,455	–
Rental income	2,964	3,106
Government grant [#]	1,828	8,386
Others	3,863	4,493
	<u>94,882</u>	<u>124,827</u>
Gains, net		
Gain on bargain purchase of a subsidiary	–	15,012
Gain on disposal of items of property, plant and equipment, net	–	199
	<u>–</u>	<u>15,211</u>
Other income and gains, net	<u>94,882</u>	<u>140,038</u>

* *Imputed interest income under service concession arrangements during the year amounting to HK\$91,778,000 (2018: HK\$102,848,000) 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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of raw materials consumed	129,833	156,892
Cost of waste treatment services rendered*	362,319	330,597
Cost of construction services	52,662	169,347
Cost of landscaping services	210,492	111,491
Depreciation of property, plant and equipment ^Ω	51,031	48,736
Loss/(gain) on disposal of items of property, plant and equipment, net [#]	48	(199)
Depreciation of right-of-use assets [@]	15,701	–
Amortisation of prepaid land lease payments [^]	–	1,214
Amortisation of operating concessions [^]	102,356	87,273
Amortisation of other intangible assets [^]	6,035	6,377
Provision for major overhauls [^]	1,021	796
Impairment of operating concessions [#]	113,889	–
Impairment of trade receivables [#]	108	7,237
Foreign exchange difference, net [#]	<u>695</u>	<u>357</u>

* *The cost of waste treatment services rendered does not include the recognition of government subsidies of HK\$7,430,000 (2018: HK\$6,875,000) based on the straight-line basis over the expected useful lives of the relevant assets, which is included in “Cost of sales” in the consolidated statement of profit or loss.*

^Ω *A depreciation amount of property, plant and equipment of HK\$41,382,000 (2018: HK\$38,075,000) is included in “Cost of sales” in the consolidated statement of profit or loss.*

[@] *A depreciation amount of right-of-use assets of HK\$1,152,000 (2018: Nil) is included in “Cost of sales” in the consolidated statement of profit or loss.*

[^] *The amortisation of prepaid land lease payments, operating concessions, other intangible assets (excluding computer software amounting to HK\$342,000 (2018: HK\$413,000)) and the provision for major overhauls are included in “Cost of sales” in the consolidated statement of profit or loss.*

[#] *These items are included in “Other operating expenses, net” in the consolidated statement of profit or loss.*

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank and other borrowings	43,569	42,915
Imputed interest on convertible bonds (<i>note 9</i>)	29,451	29,611
Interest on lease liabilities	<u>2,121</u>	<u>–</u>
Total interest expenses	75,141	72,526
Less: Interest capitalised	<u>(3,140)</u>	<u>(13,006)</u>
	72,001	59,520
Other finance costs:		
Increase in discounted amounts of provision for major overhauls arising from the passage of time	<u>362</u>	<u>310</u>
	<u>72,363</u>	<u>59,830</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	19	237
Overprovision in prior years	(49)	–
Current – Mainland China		
Charge for the year	39,925	31,960
Overprovision in prior years	<u>(1,901)</u>	<u>(3,965)</u>
	37,994	28,232
Deferred	<u>(11,440)</u>	<u>15,296</u>
Total tax charge for the year	<u>26,554</u>	<u>43,528</u>

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:

	2019	2018
	HK\$'000	HK\$'000
Earnings		
Profit for the year attributable to members of the Company, used in the basic earnings per share calculation	222,232	265,008
Imputed interest on convertible bonds (<i>note 7</i>)	29,451	29,611
	<hr/>	<hr/>
Profit for the year attributable to members of the Company before imputed interest on convertible bonds	251,683	294,619
	<hr/> <hr/>	<hr/> <hr/>
	2019	2018
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: Convertible bonds	1,948,938,053	2,062,088,738
	<hr/>	<hr/>
	3,449,298,203	3,562,448,888
	<hr/> <hr/>	<hr/> <hr/>

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Unbilled:		
Current portion	63,183	93,349
Non-current portion	<u>1,972,804</u>	<u>2,022,977</u>
	<u><u>2,035,987</u></u>	<u><u>2,116,326</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 3 months	317,168	148,724
4 to 6 months	33,925	22,753
7 to 12 months	18,303	10,965
1 to 2 years	13,432	14,784
2 to 3 years	4,851	2,276
Over 3 years	<u>2,016</u>	<u>1,689</u>
At 31 December	<u><u>389,695</u></u>	<u><u>201,191</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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Billed:		
Less than 3 months	121,620	204,591
4 to 6 months	123,154	9,846
7 to 12 months	46,522	40,889
Over 1 year	90,527	6,572
	381,823	261,898
Unbilled	146,147	206,843
	527,970	468,741

13. EVENTS AFTER THE REPORTING PERIOD

The Group entered into a contract and established a joint venture in January 2020 to invest and construct the Jining Yanzhou Household Waste Incineration Power Generation PPP Project in Shandong Province, China, with a daily waste treatment capacity of 1,500 tonnes and a total investment of approximately HK\$900 million, which is scheduled to be put into operation in 2020.

At present, the impact of the novel coronavirus pneumonia epidemic outbreak to the macro-economic conditions as a whole is still uncertain, thus the financial impact on the Group could not be estimated as at the date of this announcement. The Group will pay close attention to its development and perform further assessment on its impact and take relevant measures.

14. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 31 December 2019 amounted to HK\$177,862,000 (2018: HK\$561,365,000) and HK\$6,456,792,000 (2018: HK\$6,292,494,000), respectively.

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the environmental protection business with solid waste treatment as its core business. Currently, the Group is investing and operating nine solid waste treatment projects in China, including eight household waste incineration power generation projects with total waste treatment capacity increased to 10,225 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
Taian Project (泰安生活垃圾焚燒發電項目)	Shandong	BOO	1,200 tonnes/day
Shuyang Project (江蘇省沭陽縣垃圾焚燒發電項目)	Jiangsu	BOT	1,200 tonnes/day
Zhangjiagang Project (張家港市生活垃圾焚燒發電廠項目)	Jiangsu	BOO	900 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 August 2018. The Phase II technological improvement and expansion of Hunan Changde Project, Phase II expansion of Shandong Taian Project, and Phase II expansion of Jiangsu Shuyang Project are completed and put into production and are ready for commercial operation to improve the Group's household waste incineration power generation treatment capacity, laying the foundation for sustainable operating revenue. During the year, the Group invested approximately HK\$158 million in technological improvement and expansion works for its projects to encounter the new environmental and emission standards.

Ha'erbin Project is currently the most far north waste incineration project in Mainland China. Its operating results were underperforming due to the extreme cold weather in winter and left-behind construction problems during the project construction period. The Group had made impairment of HK\$68 million on its certain assets during the year, meanwhile, actively explored the options for technological improvement to help turning losses into profits as soon as possible. Furthermore, the Group had also made impairment of HK\$46 million on certain assets for other solid waste treatment project during the year in order to upgrade the waste incineration technology and optimise the assets quality of the Group.

In 2019, total household waste treatment volume of the Group was 3,490,000 tonnes (average 9,562 tonnes/day), increased by 0.5% as compared with 3,473,600 tonnes of last year. Other waste treatment volume included medical and hazardous waste of 15,000 tonnes, leachate of 21,700 tonnes, sludge of 75,500 tonnes and newly developed business of food waste of 82,300 tonnes. During the year, total electricity generating volume was 1,190 million kWh, increased by 10.4% from 1,078 million kWh of last year. Total on-grid electricity volume was 976 million kWh, increased by 9.9% as compared with last year of 888 million kWh. Steam supply volume was 198,600 tonnes, increased by 5.8 times as compared with last year.

In 2019, due to the decrease in revenue from the construction work of household waste incineration power generation projects, total revenue from the solid waste treatment segment of the Group was HK\$1,104 million, down by 3.6% year-on-year, of which operating revenue was HK\$1,052 million, up by 14.3% year-on-year, revenue from construction work was HK\$52 million, down by 77.0% year-on-year. Gross profit was HK\$415 million, up by 14.5% year-on-year. EBITDA was HK\$457 million, down by 10.3% year-on-year. Net profit was HK\$236 million, down by 21.4% year-on-year. If deduction on the amount for the above assets impairment was made, adjusted EBITDA was HK\$571 million, up by 12.1% year-on-year. Net profit was HK\$322 million, up by 7.1% year-on-year.

During the year, 北京北發生態建設有限公司 (“Beifa Landscape”), a company acquired by the Group at the end of June 2018, recorded revenue from construction and consultancy works of HK\$280 million and net profit of HK\$29 million.

BUSINESS PROSPECT

While affected by the novel coronavirus pneumonia epidemic in the first quarter of 2020, the Group's household waste incineration projects in Mainland China still maintain their stable operation of waste treatment equipment and give priority to the treatment of relevant waste in the epidemic regions, making contributions to local epidemic prevention and control. However, revenue from waste treatment and sales of electricity were affected by reducing electricity generated from waste incineration due to the decrease in volume of wastes delivered to the plant, deteriorated quality of wastes and mandatory suspension of certain units of some projects. The treatment costs, employees' labour insurance and epidemic prevention costs have increased due to priority is given to the treatment of wastes associated with the epidemic, while the revenue from construction business has declined due to delayed resumption of work on the sites of solid waste and landscaping construction projects.

Facing the impact caused by the epidemic, the Group will improve equipment efficiency, reduce losses and cut furnace shutdown time in view of the condition of each project so as to reduce waste operating costs, while actively exploring revenue sources of solid wastes and carrying out businesses such as sludge and industrial solid waste incineration, with a view to increase the treatment capacity of solid wastes and electricity generated by wastes.

The Group entered into a contract and established a joint venture in January 2020 to invest and construct the Jining Yanzhou Household Waste Incineration Power Generation PPP Project in Shandong Province, China, with a daily waste treatment capacity of 1,500 tonnes and a total investment of approximately HK\$900 million, which is scheduled to be put into operation in 2022. On the other hand, the Group is planning the expansion works of Hunan Changde Project and Jiangsu Zhangjiagang Project to further enhance the Group's regional household waste treatment capacity.

Beifa Landscape is a new sector for the Group in the environmental protection industry with the national urban landscape greenery level 1 qualifications. It passed the national ISO9001 quality management and ISO14001 environmental management certification, and is expected to provide the profit growth point for the Group continuously.

The Group will fully leverage its advantages in branding, resources and technologies, deepen efficiency management and control, and keep on seeking potential investment opportunities to strengthen the overall competitiveness and market position of the Group in the solid waste treatment industry.

FINANCIAL REVIEW

Revenue and gross profit

During the year, the Group recorded revenue of HK\$1,384 million, increased by 9% as compared with last year of HK\$1,270 million. The revenue derived from the solid waste treatment and the sale of electricity and steam amounted to HK\$1,052 million, increased by 14% as compared with last year of HK\$921 million. The revenue derived from the construction and related services amounted to HK\$52 million, decreased by 77% as compared with last year of HK\$225 million. The revenue derived from the landscaping services amounted to HK\$280 million, increased by 126% as compared with the second half of last year (post-acquisition period) of HK\$124 million.

The Group's gross profit amounted to HK\$485 million, increased by 29% as compared with last year of HK\$375 million. The overall gross profit margin increased from 29.6% to 35.0%.

	Revenue		Gross profit		Gross profit margin	
	2019 HK\$ million	2018 HK\$ million	2019 HK\$ million	2018 HK\$ million	2019	2018
Household waste treatment	273	266				
Other solid waste treatment	99	99				
Sale of electricity and steam	680	556				
	1,052	921	416	306	39.5%	33.3%
Construction and related services	52	225	(1)	56	-1.6%	24.8%
Landscaping services	280	124	70	13	24.9%	10.4%
	1,384	1,270	485	375	35.0%	29.6%

Other income and gains, net

The Group recorded other income and gains, net of HK\$95 million during the year, decreased by HK\$45 million as compared with last year of HK\$140 million. The other income for the year mainly comprised value added tax refund of HK\$49.93 million (2018: HK\$77.82 million), interest income of HK\$15.84 million (2018: HK\$31.03 million) and insurance compensation income of HK\$20.46 million (2018: Nil). In addition, a gain on bargain purchase of Beifa Landscape of HK\$15.01 million was recognised in last year.

Selling expenses

The Group's selling expenses for the year increased by HK\$0.53 million to HK\$2.32 million.

Administrative expenses

The Group's administrative expenses for the year increased by 16% or HK\$19.47 million to HK\$139 million, which was mainly due to the business expansion of Beifa Landscape. The administrative expenses incurred by Beifa Landscape during the year was HK\$31.51 million, increased by HK\$21.46 million as compared with the second half of last year of HK\$10.05 million.

Other operating expenses, net

The Group incurred other operating expenses, net of HK\$119 million during the year, increased by HK\$110 million as compared with last year of HK\$9.37 million, which was mainly due to the impairment of certain assets of Ha'erbin Project of HK\$68 million and other project of HK\$46 million were made during the year in order to optimise the assets quality of the Group.

Finance costs

The Group's finance cost for the year increased by 21% or HK\$12.53 million to HK\$72.36 million, which mainly comprised interest on a bank loan of HK\$11.27 million (2018: HK\$5.32 million), interest 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\$31.02 million (2018: HK\$37.60 million), interest on other borrowings of HK\$1.28 million (2018: Nil) and imputed interest on convertible bonds issued to Idata Finance Trading Limited ("Idata"), the immediate holding company

of the Company, of HK\$29.45 million (2018: HK\$29.61 million). Interest on bank and other borrowings of HK\$3.14 million (2018: HK\$13.01 million) incurred for the expansion construction of solid waste treatment projects have been capitalised during the year.

Income tax

The Group's income tax expenses for the year amounted to HK\$26.55 million, decreased by 39% or HK\$16.98 million as compared with last year of HK\$43.53 million. During the year, certain subsidiaries of the Group in Mainland China are (i) exempted from corporate income tax for three years starting from the first year they generate revenue and are granted by a 50% tax reduction for the ensuring three years; and (ii) qualified for the high-tech enterprises corporate income tax rate reduction. The Group's effective tax rate for the year was 10.8% (2018: 13.4%).

EBITDA and profit for the year

EBITDA for the year was HK\$494 million, decreased by 6% or HK\$34 million as compared with last year of HK\$528 million. Profit for the year amounted to HK\$220 million, decreased by 22% or HK\$61 million as compared with last year of HK\$281 million. Profit for the year attributable to members of the Company amounted to HK\$222 million, decreased by 16% or HK\$43 million as compared with last year of HK\$265 million.

	EBITDA		Profit for the year		Profit attributable to members of the Company	
	2019	2018	2019	2018	2019	2018
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Solid waste treatment segment	457	509	236	300	252	286
Landscaping segment*	46	22	29	19	15	17
Corporate and others segment	(9)	(3)	(45)	(38)	(45)	(38)
	<u>494</u>	<u>528</u>	<u>220</u>	<u>281</u>	<u>222</u>	<u>265</u>

* 2018 included the gain on bargain purchase of Beifa Landscape of HK\$15.01 million.

If excluding the effect of on one-off assets impairment of solid waste treatment projects made during the year, proforma EBITDA for the year was HK\$608 million, increased by 15% or HK\$80 million as compared with last year. Proforma profit for the year amounted to HK\$306 million, increased by 9% or HK\$25 million as compared with last year. Proforma profit for the year attributable to members of the Company amounted to HK\$297 million, increased by 12% or HK\$32 million as compared with last year.

FINANCIAL POSITION

Significant investing and financing activities

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.

The Group's acquisition of 51% equity interest in Beifa Landscape has been completed by the end of June 2018. The net profit of Beifa Landscape for the year ended 31 December 2019 amounted to RMB25.14 million (equivalent to HK\$28.57 million), which has met the guaranteed profit of RMB25 million given by the vendors as stipulated under the share purchase agreement.

Total assets and liabilities

As at 31 December 2019, the Group had total assets and total liabilities amounted to HK\$8,940 million and HK\$5,829 million, respectively, decreased by HK\$97 million and HK\$252 million as compared with those as at 31 December 2018, respectively.

Property, plant and equipment

The increase in cost of the Group's property, plant and equipment by HK\$119 million was mainly attributable to the expansion construction work of Shandong Taian Project of HK\$91 million. Depreciation provided during the year was HK\$51 million (2018: HK\$49 million).

Goodwill

The Group acquired certain companies relating to 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 2019.

Right-of-use assets

The Group initially adopted HKFRS 16 effective from 1 January 2019 and right-of-use assets of HK\$76 million and lease liabilities (included in “other payables and accruals”) of HK\$31 million are recognised as at the end of the reporting period.

Operating concessions

The Group’s operating concessions are recognised from the six solid waste treatment plants operated under Build-Operate-Transfer (“BOT”) arrangements. During the year, construction expenditure of HK\$54 million has been incurred, impairment for certain projects of HK\$114 million had been made, and HK\$102 million (2018: 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 the two household waste treatment plants operated under Build-Own-Operate (“BOO”) arrangements. During the year, HK\$6 million (2018: 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 the five household waste treatment plants operated under BOT arrangements with guaranteed waste treatment revenue, decreased by HK\$80 million during the year.

Inventories

The Group’s inventories of HK\$40 million mainly represented coal and consumables for the solid waste treatment plants, increased by HK\$9 million from the end of last year.

Trade and bills receivables

The Group's trade and bills receivable increased by HK\$189 million to HK\$390 million, which mainly included the national subsidy of on-grid electricity of HK\$134 million from Beijing Haidian Project (which commenced commercial operation from August 2018) for the period from trial operation in early 2017 to the end of 2019 which has not yet settled. 68% of the total trade and bills receivables have not yet due for settlement and less than 5% of the total balances are overdue over 1 year.

Prepayments, other receivables and other assets

The Group's total prepayments, other receivables and other assets increased by HK\$28 million to HK\$194 million, which mainly comprised prepayments of HK\$89 million, value added tax refund and other taxes recoverable of HK\$33 million, balances due from non-controlling equity holders of HK\$12 million, deposits and other receivables of HK\$60 million.

Bank and other borrowings

The Group's bank and other borrowings were all denominated in RMB. During the year, the Group repaid RMB132 million and further advanced for RMB166 million. As at the end of the reporting period, the Group has bank and other borrowings amounted to RMB878 million, of which RMB184 million from a commercial bank, RMB638 million from BG Finance and RMB56 million from other parties relating to the business of Beifa Landscape. The weighted average interest rate of the Group's bank and other borrowings was 4.8% per annum.

Convertible bonds

The Group's convertible bonds were issued to Idata with principal amount of HK\$2,202 million in October 2016 and has share conversion price of HK\$1.13, which are non-interest-bearing and will mature in October 2021. For accounting purpose, the outstanding convertible bonds were bifurcated into liability component of HK\$2,147 million and equity component of HK\$147 million as at the end of the reporting period.

Deferred income

The Group's deferred income of HK\$150 million represented PRC government grants and subsidies on solid waste treatment business, decreased by HK\$10 million from the end of last year.

Trade payables

The Group's trade payables increased by HK\$59 million to HK\$528 million during the year, of which HK\$146 million has not yet billed.

Other payables and accruals

During the year, the Group's total other payables and accruals decreased by HK\$341 million to HK\$1,692 million, which mainly comprised (i) an amount due to Idata of HK\$491 million (2018: HK\$791 million) and (ii) amounts due to fellow subsidiaries of RMB911 million (2018: RMB920 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 2019, the Group had cash and cash equivalents amounted to HK\$1,426 million (approximately 57% of which were denominated in Renminbi and 42% of which were denominated in Hong Kong dollars and United States dollars); bank and other borrowings amounted to RMB878 million; non-interest-bearing amounts due to Idata and certain fellow subsidiaries of the Company amounted to HK\$491 million and RMB911 million, respectively; and non-interest bearing convertible bonds issued to Idata in the principal amount of HK\$2,202 million (which will mature in October 2021).

As at 31 December 2019, Beijing Enterprises Holdings Limited ("BEHL"), the intermediate holding company of the Company, has undertaken not to demand of the amounts due by the Group to Idata of HK\$491 million and its subsidiary of RMB800 million, until such time when the Group is in a position to repay without impairing its liquidity and financial position.

As at 31 December 2019, the Group's current liabilities of HK\$2,483 million exceeded its current assets of HK\$2,305 million. In consideration of the stable cash recurring nature of solid waste treatment operations and the financial support of the holding company, the directors of the Company 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

	2019	2018
Gross profit margin	35.0%	29.6%
Operating profit margin	23.1%	30.3%
Net profit margin	15.9%	22.2%
Return on average equity	8.1%	10.2%
Current ratio (<i>times</i>)	0.93	0.80
Debt ratio (<i>total liabilities/total assets</i>)	65.2%	67.3%
Net gearing ratio (<i>net debt/total equity</i>)	55.2%	49.8%

Capital expenditure and commitment

During the year, the Group's total capital expenditures amounted to HK\$196 million, of which HK\$158 million was spent on construction and modification of waste treatment plants and HK\$38 million was spent on purchase of other assets. As at 31 December 2019, the Group has capital commitment for service concession arrangements amounted to HK\$106 million.

Charges on the Group's assets

As at 31 December 2019, save as (i) the Group's land and buildings with a net carrying amount of HK\$45 million, the Group's right-of-use assets of HK\$21 million and the Group's trade receivables arising from the provision of solid waste treatment service with a net carrying amount of HK\$45 million are pledged for the Group's bank loans, and (ii) the Group's bank deposits of HK\$9 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\$0.7 million (2018: HK\$0.4 million) are taken to the statement of profit or loss and the comprehensive loss arising on translation of foreign operations of HK\$60 million (2018: HK\$163 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 2019, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 1,246 employees (2018: 1,171). Total staff cost for the year was HK\$235 million, increased by 22% as compared with HK\$192 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 2019, 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 2019.

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 2019.

- (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, 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 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 2019.

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 2019 have been reviewed and approved by the Audit Committee.

SCOPE OF WORK OF THE COMPANY'S AUDITOR 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 2019 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor 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 auditor 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 2019 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 support to the Group.

By order of the Board

Ke Jian

Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely 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.