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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

- The Group's revenue for the year amounted to HK\$1.79 billion, increased by 29% as compared with HK\$1.38 billion for the last year.
- Impairment of assets for the year amounted to HK\$238 million.
- EBITDA for the year amounted to HK\$438 million, decreased by 11% as compared with HK\$494 million for the last year.
- Profit for the year attributable to members of the Company amounted to HK\$129 million, decreased by 42% as compared with HK\$222 million for the last year.
- Basic earnings per share for the year amounted to HK8.6 cents (2019: HK14.8 cents).
- Net assets per share attributable to members of the Company as at 31 December 2020 amounted to HK\$2.13 (31 December 2019: HK\$1.88).
- The Board does not recommend the payment of any dividend for the year (2019: 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 2020, together with comparative figures for the last year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
REVENUE	5	1,790,611	1,384,113
Cost of sales		<u>(1,259,141)</u>	<u>(899,488)</u>
Gross profit		531,470	484,625
Other income and gain, net	5	94,192	94,882
Selling and distribution expenses		(2,373)	(2,321)
Administrative expenses		(157,131)	(139,034)
Other operating expenses, net		<u>(241,016)</u>	<u>(118,984)</u>
PROFIT FROM OPERATING ACTIVITIES	6	225,142	319,168
Finance costs	7	<u>(75,805)</u>	<u>(72,363)</u>
PROFIT BEFORE TAX		149,337	246,805
Income tax	8	<u>6,048</u>	<u>(26,554)</u>
PROFIT FOR THE YEAR		<u>155,385</u>	<u>220,251</u>
ATTRIBUTABLE TO:			
Members of the Company		129,027	222,232
Non-controlling interests		<u>26,358</u>	<u>(1,981)</u>
		<u>155,385</u>	<u>220,251</u>
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY	9		
– Basic (<i>HK cents</i>)		<u>8.60</u>	<u>14.81</u>
– Diluted (<i>HK cents</i>)		<u>4.61</u>	<u>7.30</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>155,385</u>	<u>220,251</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>269,934</u>	<u>(64,565)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>425,319</u>	<u>155,686</u>
ATTRIBUTABLE TO:		
Members of the Company	376,785	162,276
Non-controlling interests	<u>48,534</u>	<u>(6,590)</u>
	<u>425,319</u>	<u>155,686</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets:			
Property, plant and equipment		1,099,326	1,125,398
Investment property		48,571	47,191
Right-of-use assets		66,521	76,327
Goodwill		1,122,551	1,122,551
Operating concessions		2,439,053	2,132,275
Other intangible assets		55,568	112,877
Investment in a joint venture		6,652	6,652
Receivables under service concession arrangements	<i>10</i>	2,165,794	1,972,804
Prepayments, other receivables and other assets		185	30,895
Deferred tax assets		18,307	7,684
		<hr/>	<hr/>
Total non-current assets		7,022,528	6,634,654
Current assets:			
Inventories		43,842	39,668
Receivables under service concession arrangements	<i>10</i>	67,856	63,183
Trade and bills receivables	<i>11</i>	516,380	389,695
Contract assets		399,559	223,649
Prepayments, other receivables and other assets		175,230	163,097
Pledged deposits		7,122	8,642
Cash and cash equivalents		1,520,036	1,416,990
		<hr/>	<hr/>
Total current assets		2,730,025	2,304,924
		<hr/>	<hr/>
TOTAL ASSETS		9,752,553	8,939,578
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity attributable to members of the Company			
Share capital		2,227,564	2,227,564
Equity component of convertible bonds		147,029	147,029
Other reserves		819,902	443,117
		3,194,495	2,817,710
Non-controlling interests		397,070	293,255
TOTAL EQUITY		<u>3,591,565</u>	<u>3,110,965</u>
Non-current liabilities:			
Bank and other borrowings		886,438	783,500
Convertible bonds		–	2,147,168
Provision for major overhauls		9,283	7,298
Other payables		20,210	19,197
Deferred income		150,626	150,026
Deferred tax liabilities		217,320	238,638
Total non-current liabilities		<u>1,283,877</u>	<u>3,345,827</u>
Current liabilities:			
Trade payables	<i>12</i>	760,696	527,970
Other payables and accruals		1,707,679	1,672,960
Bank and other borrowings		165,604	203,427
Convertible bonds		2,177,112	–
Tax payables		66,020	78,429
Total current liabilities		<u>4,877,111</u>	<u>2,482,786</u>
TOTAL LIABILITIES		<u>6,160,988</u>	<u>5,828,613</u>
TOTAL EQUITY AND LIABILITIES		<u>9,752,553</u>	<u>8,939,578</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 2020, 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. 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 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 2020. Taking into account the Group’s internal resources and undertaking from an intermediate holding company and its subsidiaries not to demand repayment of the amounts due by the Group to them until such time when the Group is in a position to repay without impairing its liquidity and financial position, the directors 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 2020 and 2019 included in this preliminary announcement of 2020 annual results does not constitute the Company's statutory annual consolidated financial statements for those years but in respect to the year ended 31 December 2019, 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 2020 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 2019 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 2019. 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 2020. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs has had no significant financial effect on the financial position and performance of the Company.

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 ecological construction services segment comprises the ecological 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 2020 and 2019.

	Solid waste treatment HK\$'000	Ecological construction services HK\$'000	Corporate and others HK\$'000	Total HK\$'000
Year ended 31 December 2020				
Segment revenue (<i>note 5</i>)	1,379,817	410,794	–	1,790,611
Cost of sales	<u>(951,801)</u>	<u>(307,340)</u>	<u>–</u>	<u>(1,259,141)</u>
Gross profit	<u>428,016</u>	<u>103,454</u>	<u>–</u>	<u>531,470</u>
Profit/(loss) from operating activities	160,409	64,982	(249)	225,142
Finance costs	<u>(43,366)</u>	<u>(2,369)</u>	<u>(30,070)</u>	<u>(75,805)</u>
Profit/(loss) before tax	117,043	62,613	(30,319)	149,337
Income tax	<u>15,426</u>	<u>(8,843)</u>	<u>(535)</u>	<u>6,048</u>
Profit/(loss) for the year	<u>132,469</u>	<u>53,770</u>	<u>(30,854)</u>	<u>155,385</u>
Segment profit/(loss) attributable to members of the Company	<u>132,572</u>	<u>27,676</u>	<u>(31,221)</u>	<u>129,027</u>
Segment assets	<u>8,973,091</u>	<u>585,564</u>	<u>193,898</u>	<u>9,752,553</u>
Segment liabilities	<u>3,066,609</u>	<u>419,267</u>	<u>2,675,112</u>	<u>6,160,988</u>

	Solid waste treatment <i>HK\$'000</i>	Ecological construction 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>

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\$217,657,000 (2019: HK\$314,068,000).

5. REVENUE, OTHER INCOME AND GAIN, NET

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Household waste treatment*	266,478	273,433
Hazardous and medical waste treatment	53,340	53,742
Food waste, leachate, sludge and other treatments	99,297	45,181
Sale of electricity	611,826	654,092
Sale of steam	13,184	25,757
Waste treatment construction and related services*	335,692	51,807
Ecological construction and related services	410,794	280,101
	<u>1,790,611</u>	<u>1,384,113</u>
Other income		
Value-added tax refund	66,006	49,932
Interest income	11,392	15,840
Compensation income	–	20,455
Rental income	2,894	2,964
Government grant#	2,557	1,828
Others	4,395	3,863
	<u>87,244</u>	<u>94,882</u>
Gain, net		
Foreign exchange gain, net	<u>6,948</u>	–
Other income and gain, net	<u>94,192</u>	<u>94,882</u>

* *Imputed interest income under service concession arrangements during the year amounting to HK\$90,693,000 (2019: HK\$91,778,000) was included in the revenue derived from household waste treatment services and waste treatment 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):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of raw materials consumed	97,041	129,833
Cost of waste treatment services rendered*	398,161	362,319
Cost of waste treatment construction services	276,764	52,662
Cost of ecological construction services	307,340	210,492
Depreciation of property, plant and equipment ^Ω	89,251	51,031
Loss on disposal of items of property, plant and equipment, net [#]	203	48
Fair value loss on an investment property [#]	1,348	–
Lease payments not included in the measurement of lease liabilities	5,947	7,598
Depreciation of right-of-use assets [Ⓞ]	15,726	15,701
Amortisation of operating concessions [^]	101,657	102,356
Amortisation of other intangible assets [^]	5,829	6,035
Provision for major overhauls [^]	1,029	1,021
Impairment of property, plant and equipment [#]	54,549	–
Impairment of right-of-use assets [#]	12,725	–
Impairment of operating concessions [#]	115,169	113,889
Impairment of other intangible assets [#]	55,123	–
Impairment of trade receivables, net [#]	186	108
Foreign exchange difference, net	<u>(6,948)</u>	<u>695</u>

* *The cost of waste treatment services rendered does not include the recognition of government subsidies of HK\$7,304,000 (2019: HK\$7,430,000) 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\$77,678,000 (2019: HK\$41,382,000) is included in “Cost of sales” in the consolidated statement of profit or loss.*

Ⓞ *A depreciation amount of right-of-use assets of HK\$1,146,000 (2019: HK\$1,159,000) is included in “Cost of sales” in the consolidated statement of profit or loss.*

^ *The amortisation of operating concessions, other intangible assets (excluding computer software amounting to HK\$200,000 (2019: HK\$341,000)) 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank and other borrowings	44,623	43,569
Imputed interest on convertible bonds	29,944	29,451
Interest on lease liabilities	<u>1,528</u>	<u>2,121</u>
Total interest expenses	76,095	75,141
Less: Interest capitalised	<u>(725)</u>	<u>(3,140)</u>
	75,370	72,001
Other finance costs:		
Increase in discounted amounts of provision for major overhauls arising from the passage of time	<u>435</u>	<u>362</u>
	<u><u>75,805</u></u>	<u><u>72,363</u></u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	72	19
Overprovision in prior years	(19)	(49)
Current – Mainland China		
Charge for the year	38,178	39,925
Overprovision in prior years	<u>(1,157)</u>	<u>(1,901)</u>
	37,074	37,994
Deferred	<u>(43,122)</u>	<u>(11,440)</u>
Total tax charge/(credit) for the year	<u><u>(6,048)</u></u>	<u><u>26,554</u></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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to members of the Company, used in the basic earnings per share calculation	129,027	222,232
Imputed interest on convertible bonds (<i>note 7</i>)	<u>29,944</u>	<u>29,451</u>
Profit for the year attributable to members of the Company before imputed interest on convertible bonds	<u><u>158,971</u></u>	<u><u>251,683</u></u>
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	<u>1,948,938,053</u>	<u>1,948,938,053</u>
	<u><u>3,449,298,203</u></u>	<u><u>3,449,298,203</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Unbilled:		
Current portion	67,856	63,183
Non-current portion	<u>2,165,794</u>	<u>1,972,804</u>
	<u><u>2,233,650</u></u>	<u><u>2,035,987</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 3 months	447,419	317,168
4 to 6 months	20,764	33,925
7 to 12 months	18,418	18,303
1 to 2 years	23,377	13,432
2 to 3 years	2,738	4,851
Over 3 years	<u>3,664</u>	<u>2,016</u>
At 31 December	<u><u>516,380</u></u>	<u><u>389,695</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Billed:		
Less than 3 months	198,167	121,620
4 to 6 months	51,544	123,154
7 to 12 months	48,982	46,522
Over 1 year	90,186	90,527
	<u>388,879</u>	381,823
Unbilled	<u>371,817</u>	146,147
	<u><u>760,696</u></u>	<u><u>527,970</u></u>

13. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 31 December 2020 amounted to HK\$2,147,086,000 (2019: HK\$177,862,000) and HK\$4,875,442,000 (2019: HK\$6,456,792,000), respectively.

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Solid Waste Treatment Segment

During the year under business review, the Group operated eight household waste incineration power generation projects with waste treatment capacity of 10,225 tonnes/day, and one hazardous and medical waste treatment project with waste treatment capacity of 35,000 tonnes/year. The Group has three household waste incineration power generation projects under construction, including two expansion projects and one new project with waste treatment capacity of 4,350 tonnes/day.

Project Name	Region	Business Model	Waste treatment capacity (tonnes/day)
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
Gaoantun Project (北京高安屯垃圾焚燒項目)	Beijing	BOT	1,600
Ha'erbin Project (哈爾濱雙琦垃圾焚燒發電項目)	Heilongjiang	BOT	1,600
Changde Project (常德市生活垃圾焚燒發電項目)	Hunan	BOT	1,400
Taian Project (泰安生活垃圾焚燒發電項目)	Shandong	BOO	1,200
Shuyang Project (江蘇省沭陽縣垃圾焚燒發電項目)	Jiangsu	BOT	1,200
Zhangjiagang Project (張家港市生活垃圾焚燒發電廠項目)	Jiangsu	BOO	900
Wenchang Project (文昌市生活垃圾焚燒發電廠項目)	Hainan	BOT	225
Changde Project (Phase III) (常德市生活垃圾焚燒發電項目(三期))#	Hunan	BOT	600
Zhangjiagang Jingmai Project (張家港市靜脈科技產業園生活垃圾焚燒發電項目)#	Jiangsu	BOT	2,250
Yanzhou Project (濟寧市兗州區生活垃圾焚燒發電項目)#	Shandong	BOT	1,500
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	

Projects under construction

During the year under business review, owing to the continuous impact of the COVID-19 epidemic, together with the vigorous promotion of household waste sorting practice in various cities, the volume of household waste decreased. While strictly implementing measures to prevent and control the epidemic and ensure the stable operation of machinery units, the Group took various measures to broaden revenue from other businesses, which, to a certain extent, had reduced the adverse impact on revenue due to the shortage of household waste intake. In response to the problems of waste incineration in winter and the continuously making operating loss in prior years at the Ha'erbin Project, the Group was able to turn around from loss into profit during the year through technological improvements and improved operational and production management. During the year under business review, the Group had invested approximately HK\$445 million in construction, expansion and technical renovation works for its projects, contributing additional revenue to the Group.

In 2020, total household waste treatment volume of the Group was 3,300,000 tonnes (average 9,018 tonnes/day), decreased by 5.4% as compared with that of last year. Medical and hazardous waste treatment volume was 11,500 tonnes, 253,000 tonnes for food waste, 120,100 tonnes for sludge and 96,600 tonnes for leachate. In 2020, total electricity generating volume was 1,270,486 MWh, increased by 6.8% from that of last year. Total on-grid electricity volume was 1,037,713 MWh, increased by 6.3% as compared with that of last year. Steam supply volume was 65,600 tonnes, decreased by 67% as compared with that of last year.

According to the “Supplementary Notice on Matters in relation to the Opinions on Promoting the Healthy Development of Non-hydro Renewable Power Generation” (Caijian [2020] No.426) (《關於《關於促進非水可再生能源發電健康發展的若干意見》有關事項的補充通知》—財建[2020]426號) (“Supplementary Notice”) issued by Ministry of Finance, National Development and Reform Commission and National Energy Administration of the PRC on 29 September 2020, certain solid waste treatment projects of the Group will no longer entitle the renewable energy tariff subsidy after exceeding the specified life-cycle reasonable utilisation hours during the operation period, and this will affect the future operating cash flow of the Group’s solid waste treatment segment. As a result, based on the Company’s assessment of the impairment of the relevant assets in the solid waste treatment segment, a one-off impairment of HK\$115 million was made to the Group’s intangible assets. In addition, Shandong Taian project phased out two circulating fluidised bed waste incineration boilers and related ancillary facilities in response to the improvement of waste incineration process and provided one-off asset impairment of HK\$122 million. Excluding the above tax effect of the impairment of HK\$60 million resulted in a reduction in the Group’s profit of HK\$178 million for the year.

During the year under business review, given the above effects, the revenue from the solid waste treatment segment was HK\$1,380 million, up by 25% year-on-year, of which operating revenue was HK\$1,044 million, down by 1% year-on-year, revenue from construction work was HK\$336 million, up by 5.5 times year-on-year. EBITDA was HK\$357 million, down by 22% year-on-year. The profit for the year was HK\$132 million, down by 44% year-on-year.

Ecological Construction Segment

During the period under business review, owing to the impact of the COVID-19 epidemic and prevention and control efforts, Beijing Beikong Ecology & Construction Group Co., Ltd. (“Beikong Ecology”) adjusted its business strategy in a timely manner to ensure the development of its traditional business, and also actively developed new market directions. In 2020, the Group successfully won new tenders and signed a total of 55 contracts, of which 18 were municipal landscape construction and maintenance projects, 1 municipal construction project, 35 landscape planning and design projects and 1 ecological restoration project. The total amount of new contracts signed was approximately RMB400 million. The ecological construction segment recorded a revenue of HK\$411 million for the year, increased by 47% over last year, and profit for the year was HK\$54 million, representing a significant increase of 86% over last year.

BUSINESS PROSPECT

The Group is committed to strengthening our environmental management, improving the reliability of environmental protection standards, further enhancing the operation standard and ensuring the long-term stable operation of projects. The Group is actively responding to the situation of the drop in volume of household waste due to the gradual implementation of waste sorting practice in different regions. Coupled with our own strengths in different projects as well as the actual locality needs, we will consider increasing the synergistic disposal of sludge, general industrial solid waste, food waste sieves, digestate and leachate to increase the source of income and raise project revenue. Furthermore, the Changde Project (Phase III) and the Yanzhou Project will be successively put into trial operation in the second half of 2021, and preparation will be made for their production operations.

In addition, Beikong Ecology has established a foothold in the surrounding market of Beijing and developed the third-tier cities in the southwestern regions of China. It ensures the sustainability of the Company’s traditional urban gardening and greening construction projects and strives for new businesses in ecological restoration and environmental governance and actively looks for new approach in terms of cooperation to guide market development and actively organises and participates in tender projects.

FINANCIAL REVIEW

Revenue and gross profit

During the year, the Group recorded revenue of HK\$1,791 million, increased by 29% as compared with last year of HK\$1,384 million. The revenue derived from the solid waste treatment and the sale of electricity and steam amounted to HK\$1,044 million, decreased by 0.8% as compared with last year of HK\$1,052 million. The revenue derived from the waste treatment construction and related services amounted to HK\$336 million, substantially increased by 5.5 times as compared with last year of HK\$52 million. The revenue derived from the ecological construction and related services amounted to HK\$411 million, increased by 47% as compared with last year of HK\$280 million.

The Group's gross profit amounted to HK\$531 million, increased by 9% as compared with last year of HK\$485 million. The overall gross profit margin decreased from 35% to 29.7%.

	Revenue		Gross profit		Gross profit margin	
	2020	2019	2020	2019	2020	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>		
Household waste treatment	266	273				
Other solid waste treatment	153	99				
Sale of electricity and steam	625	680				
	<u>1,044</u>	<u>1,052</u>	<u>369</u>	<u>416</u>	<u>35.3%</u>	<u>39.5%</u>
Waste treatment construction and related services	336	52	59	(1)	17.6%	-1.6%
Ecological construction and related services	411	280	103	70	25.2%	24.9%
	<u>1,791</u>	<u>1,384</u>	<u>531</u>	<u>485</u>	<u>29.7%</u>	<u>35.0%</u>

Other income and gain, net

The Group recorded net other income and gain of HK\$94 million during the year, remained steady as compared with last year of HK\$95 million. The other income for the year mainly comprised value added tax refund from household waste treatment business of HK\$66 million (2019: HK\$50 million), interest income of HK\$11 million (2019: HK\$16 million) and foreign exchange gain of HK\$7 million (2019: loss of HK\$0.7 million). In addition, an insurance compensation income of HK\$20 million from a household waste treatment plant was recorded in last year.

Selling expenses

The Group's selling expenses for the year, as incurred by the hazardous and medical waste treatment plant, remained steady at HK\$2 million as compared with last year.

Administrative expenses

The Group's administrative expenses for the year increased by 13% or HK\$18 million to HK\$157 million, which was mainly due to the business expansion of both waste treatment construction and ecological construction services, additional administrative expenses of HK\$8 million for each sector was incurred during the year.

Other operating expenses, net

The Group incurred net other operating expense of HK\$241 million during the year, increased by HK\$122 million as compared with last year. The other net operating expenses for the year mainly comprised the one-off impairment of assets of certain solid waste treatment projects in aggregate of HK\$238 million (2019: HK\$114 million) as a consequence of the change of the PRC renewable energy tariff subsidy policy, phase out certain retiring assets and optimising the assets quality of the Group.

Finance costs

The Group's finance cost for the year increased by 6% or HK\$4 million to HK\$76 million, which mainly comprised interest on bank loans of HK\$11 million (2019: HK\$11 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\$33 million (2019: HK\$31 million) and imputed interest on convertible bonds issued to Idata Finance Trading Limited (“Idata”), the immediate holding company of the Company, of HK\$30 million (2019: HK\$29 million). Interest on bank and other borrowings of HK\$1 million (2019: HK\$3 million) incurred for the construction of solid waste treatment projects have been capitalised during the year.

Income tax

The Group's income tax credit for the year amounted to HK\$6 million, comprising current tax expenses of HK\$37 million and deferred tax credit of HK\$43 million. The Group's income tax expenses for the last year amounted to HK\$27 million, comprising current tax expenses of HK\$38 million and deferred tax credit of HK\$11 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 ensuing three years; and (ii) qualified for the high-tech enterprises corporate income tax rate reduction.

EBITDA and profit for the year

EBITDA for the year was HK\$438 million, decreased by 11% or HK\$56 million as compared with last year of HK\$494 million. Profit for the year amounted to HK\$155 million, decreased by 30% or HK\$65 million as compared with last year of HK\$220 million. Profit for the year attributable to members of the Company amounted to HK\$129 million, decreased by 42% or HK\$93 million as compared with last year of HK\$222 million.

By excluding the one-of effect of impairment of assets of certain solid waste treatment projects made during the year, proforma EBITDA for the year was HK\$675 million, increased by 11% or HK\$67 million as compared with last year of HK\$608 million. Proforma profit for the year amounted to HK\$333 million, increased by 9% or HK\$27 million as compared with last year of HK\$306 million. Proforma profit for the year attributable to members of the Company amounted to HK\$292 million, increased by 2% or HK\$5 million as compared with last year of 297 million.

	EBITDA		Profit for the year		Profit attributable to members of the Company	
	2020	2019	2020	2019	2020	2019
	<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	595	571	310	322	295	327
Less: Impairment of assets	(238)	(114)	(178)	(86)	(163)	(75)
	<u>357</u>	<u>457</u>	<u>132</u>	<u>236</u>	<u>132</u>	<u>252</u>
Ecological construction segment	77	46	54	29	28	15
Corporate and others segment	4	(9)	(31)	(45)	(31)	(45)
	<u>438</u>	<u>494</u>	<u>155</u>	<u>220</u>	<u>129</u>	<u>222</u>

FINANCIAL POSITION

Significant investing and financing activities

The Group acquired 51% equity interest in Beikong Ecology in 2018 and has three years' guaranteed profits provided by the vendors as stipulated under the share purchase agreement. During the year ended 31 December 2020, Beikong Ecology recorded a net profit of approximately RMB47 million (equivalent to approximately HK\$53 million) and the third year's guaranteed profit of RMB30 million has been fulfilled.

The Group established a joint venture to invest and construct the Yanzhou Project in January 2020 which is scheduled to be put into operation in 2022. The total estimated investment of the Yanzhou Project was approximately RMB808 million and the Group has 75% equity in the joint venture. As at 31 December 2020, the accumulated investment on the Yanzhou Project was amounted to approximately RMB200 million.

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

Total assets and liabilities

As at 31 December 2020, the Group had total assets and total liabilities amounted to HK\$9,753 million and HK\$6,161 million, respectively, increased by HK\$813 million and HK\$332 million as compared with those as at 31 December 2019, respectively. Net assets of the Group was HK\$3,592 million, increased by HK\$481 million from the end of last year.

Property, plant and equipment

The Group's property, plant and equipment mainly comprised those incurred for the Shandong Taian Project and the Jiangsu Zhangjiagang Project which operated under Build-Own-Operate ("BOO") arrangements of HK\$988 million (2019: HK\$1,020 million). During the year, the net carrying amount of the Group's property, plant and equipment decreased by HK\$26 million (2019: increased by HK\$72 million) to HK\$10.99 million, of which capital expenditure of HK\$53 million (2019: HK\$140 million) has been incurred, one-off impairment of HK\$55 million has been made and HK\$89 million (2019: HK\$51 million) has been depreciated in the statement of profit or loss.

Investment property

The Group has an investment property situated in Beijing, the PRC for commercial use. As at 31 December 2020, its fair value was amounted to HK\$49 million.

Goodwill

The Group acquired certain companies engaging in the solid waste treatment business in April 2014 and October 2016 and 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 amount of the cash generating unit of the solid waste treatment business has been determined based on its value-in-use, which has been 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 cash generating units exceeded its 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 2020.

Right-of-use assets

The Group has right-of-use assets amounted to HK\$67 million, decreased by HK\$10 million from the end of last year as one-off impairment of the Shandong Taian Project of HK\$13 million has been made.

Operating concessions

The Group's operating concessions are recognised from the solid waste treatment plants operated under Build-Operate-Transfer ("BOT") arrangements. During the year, the net carrying amount of the Group's operating concessions increased by HK\$307 million (2019: decreased by HK\$281 million) to HK\$2,439 million, of which construction expenditure of HK\$406 million (2019: HK\$54 million) has been incurred, one-off impairment of HK\$115 million (2019: HK\$114 million) has been made and HK\$102 million (2019: HK\$102 million) has been amortised in the statement of profit or loss.

Other intangible assets

The Group's other intangible assets mainly comprised the fair value of the operation right of the Jiangsu Zhangjiagang Project of HK\$39 million and other licenses of HK\$14 million. During the year, the net carrying amount of the Group's other intangible assets decreased by HK\$57 million (2019: HK\$7 million) to HK\$56 million, of which one-off impairment of the operation right of the Shandong Taian Project of HK\$55 million has been made and HK\$6 million (2019: 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 household waste treatment plants operated under BOT arrangements with guaranteed waste treatment revenue. During the year, the carrying amount of the Group's receivables under service concession arrangements increased by HK\$198 million (2019: decreased by HK\$80 million) to HK\$2,234 million, of which the receivable recognised from the new Yanzhou Project amounted to HK\$94 million.

Inventories

The Group's inventories increased by HK\$4 million to HK\$44 million from the end of last year, which mainly represented coal and consumables used for the solid waste treatment plants.

Trade and bills receivables

The Group's trade and bills receivable increased by HK\$127 million to HK\$516 million from the end of last year. According to the ageing analysis based on settlement due date, of which HK\$333 million (65%) are current, HK\$82 million (16%) are past due for less than 3 months and HK\$24 million (5%) are past due for over 1 year.

Prepayments, other receivables and other assets

The Group's total prepayments, other receivables and other assets decreased by HK\$19 million to HK\$175 million from the end of last year, which mainly comprised prepayments of HK\$99 million, value added tax refund and other taxes recoverable of HK\$37 million, balances due from related parties of HK\$12 million, deposits and other receivables of HK\$27 million.

Bank and other borrowings

The Group's bank and other borrowings were all denominated in RMB. During the year, the Group repaid RMB84 million and further advanced for RMB89 million. As at 31 December 2020, the Group has bank and other borrowings amounted to RMB884 million, of which RMB241 million from commercial banks in Mainland China, RMB600 million from BG Finance and RMB43 million from other parties relating to the ecological construction business. The weighted average interest rate of the Group's bank and other borrowings was 4.6% 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. As at 31 December 2020, for accounting purpose, the outstanding convertible bonds were bifurcated into liability component of HK\$2,177 million and equity component of HK\$147 million.

Deferred income

The Group's deferred income increased by HK\$1 million to HK\$151 million from the end of last year, which mainly represented PRC government grants and subsidies on solid waste treatment business.

Trade payables

The Group's trade payables increased by HK\$233 million to HK\$761 million from the end of last year, 49% of which (HK\$372 million) were unbilled. The increase was mainly due to the business expansion of both waste treatment construction and ecological construction services.

Other payables and accruals

The Group's total other payables and accruals increased by HK\$36 million to HK\$1,728 million from the end of last year, which mainly comprised an amount due to Idata of HK\$491 million (2019: HK\$491 million) and (ii) amounts due to fellow subsidiaries of HK\$1,081 million (2019: HK\$1,024 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 2020, the Group had cash and cash equivalents amounted to HK\$1,520 million (approximately 73% of which were denominated in Renminbi and 27% of which were denominated in Hong Kong dollars and United States dollars); bank and other borrowings amounted to RMB884 million; non-interest-bearing amounts due to Idata and certain fellow subsidiaries of the Company amounted to HK\$491 million and RMB907 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 2020, Beijing Enterprises Holdings Limited ("BEHL"), the intermediate holding company of the Company, and its subsidiaries have undertaken not to demand repayment of the amounts due by the Group to them of HK\$2,693 million (including the principal amount of outstanding convertible bonds of HK\$2,202 million) and 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 2020, the Group's current liabilities of HK\$4,877 million exceeded its current assets of HK\$2,730 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

	2020	2019
Gross profit margin	29.7%	35.0%
Operating profit margin	12.6%	23.1%
Net profit margin	8.7%	15.9%
Return on average equity	4.3%	8.1%
Current ratio (<i>times</i>)	0.56	0.93
Debt ratio (<i>total liabilities/total assets</i>)	63.2%	65.2%
Net gearing ratio (<i>net debt/total equity</i>)	<u>47.6%</u>	<u>55.2%</u>

Capital expenditure and commitment

During the year, the Group's total capital expenditures amounted to HK\$460 million, of which HK\$445 million was spent on construction and modification of waste treatment plants and HK\$15 million was spent on purchase of other assets. As at 31 December 2020, the Group has capital commitment for service concession arrangements amounted to HK\$989 million.

Charges on the Group's assets

As at 31 December 2020, save as (i) the Group's buildings with a net carrying amount of HK\$286 million, the Group's right-of-use assets of HK\$8 million and the Group's trade receivables arising from the provision of solid waste treatment service with a net carrying amount of HK\$56 million are pledged for the Group's bank loans, and (ii) the Group's bank deposits of HK\$7 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 gains arising on settlement or translation of monetary items of HK\$7 million (2019: losses of HK\$0.7 million) are taken to the statement of profit or loss and the comprehensive gains arising on translation of foreign operations of HK\$248 million (2019: losses of HK\$60 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 2020, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 1,273 employees (2019: 1,246). Total staff cost for the year was HK\$223 million, decreased by 5% as compared with HK\$235 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 2020, 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 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, 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 2020.

- (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.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, Mr. Ke Jian assumes the positions of chairman of the Board and chief executive officer of the Company. The Company considers that such arrangement can bring benefits to the Company’s business development and management at present, and will not impair the balance of power and authority between the Board and the management of the Company.
- (c) 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.
- (d) 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.
- (e) Under Code Provision A.6.7, independent non-executive directors and other nonexecutive 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.

- (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 2020.

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 2020 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 2020 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 2020 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 2021

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.