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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors:

Mr. Ke Jian (*Chairman*)
Ms. Sha Ning (*Vice President*)
Mr. Ng Kong Fat, Brian

Independent non-executive directors:

Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping
Prof. Nie Yongfeng
Mr. Cheung Ming

AUDIT COMMITTEE

Dr. Huan Guocang (*Chairman*)
Dr. Jin Lizuo
Dr. Wang Jianping

REMUNERATION COMMITTEE

Dr. Jin Lizuo (*Chairman*)
Dr. Huan Guocang
Dr. Wang Jianping
Mr. Ke Jian

NOMINATION COMMITTEE

Mr. Ke Jian (*Chairman*)
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping

COMPANY SECRETARY

Mr. Wong Kwok Wai, Robin

AUTHORISED REPRESENTATIVES

Mr. Ng Kong Fat, Brian
Mr. Wong Kwok Wai, Robin

REGISTERED OFFICE

66th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

WEBSITE

<http://www.beegl.com.hk>

STOCK CODE

154

SHARE REGISTRARS

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

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

In Hong Kong:

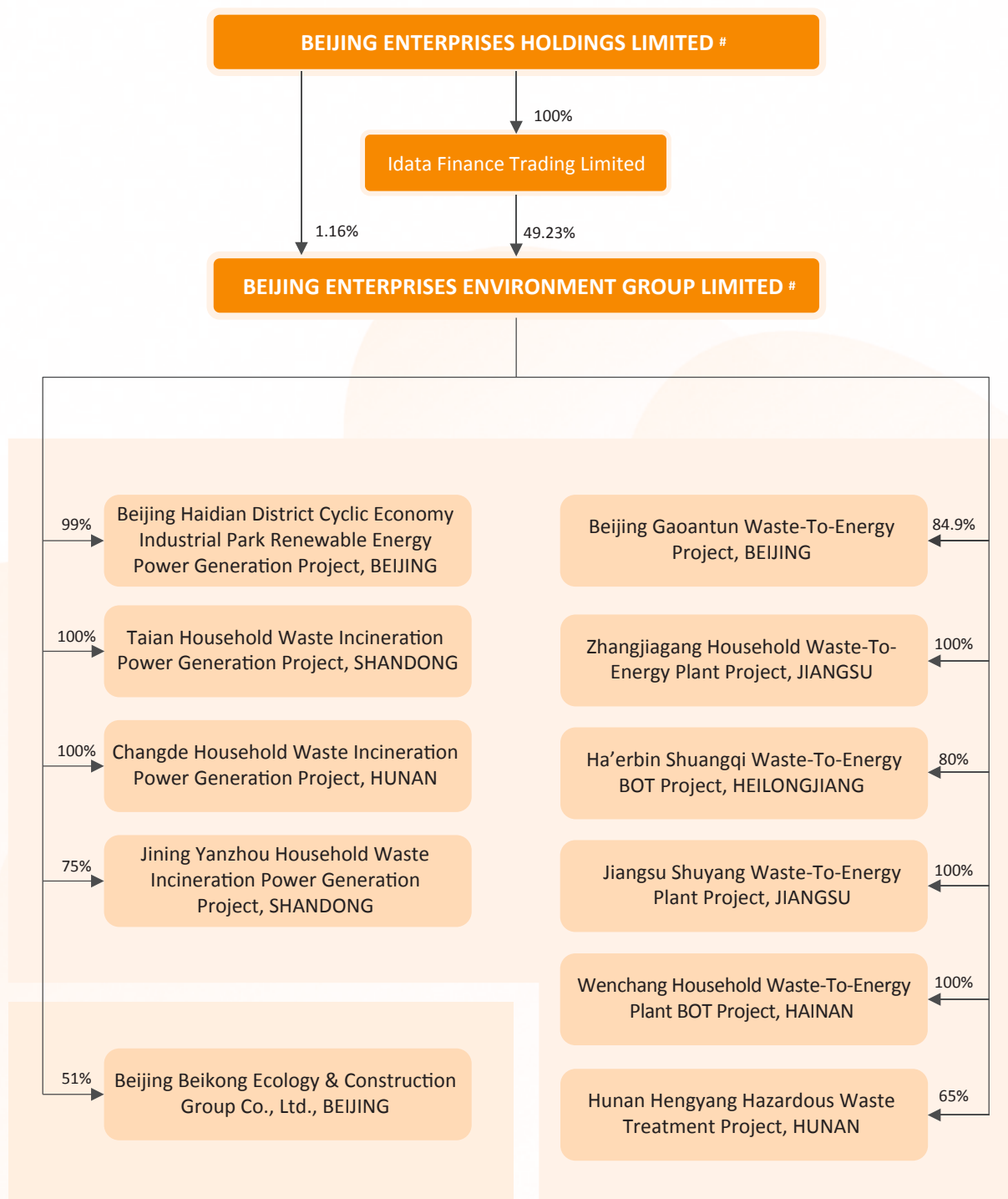
Bank of China (Hong Kong)

In Mainland China:

Agricultural Bank of China
Bank of Beijing
Bank of China
China Construction Bank
China Minsheng Bank
Huaxia Bank
Industrial Bank

CORPORATE STRUCTURE

31 August 2021



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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Solid Waste Treatment Segment

During the period 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	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 period under business review, to cope with the decrease in volume of household waste owing to the vigorous promotion of household waste sorting practice in various cities in China, 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 shortage of household waste intake. In the first half of 2021, the Group's household waste incineration power generation projects achieved major production targets as a whole, Household waste treatment volume was 1,630,000 tonnes (average 9,014 tonnes/day), increased by 6.3% as compared with the corresponding period of last year. Medical and hazardous waste treatment volume was 5,700 tonnes, 230,200 tonnes for food waste, 54,600 for sludge and 35,800 tonnes for leachate. During the period, total electricity generating volume was 649,949 MWh, increased by 12.6% as compared with the corresponding period of last year. The on-grid electricity volume was 550,867 MWh, increased by 19.1% as compared with the corresponding period of last year. Steam supply was 16,900 tonnes, increased by 3.7% as compared with the corresponding period of last year. During the period, the revenue derived from the solid waste treatment business amounted to HK\$578 million, increased by 26.8% as compared with the corresponding period of last year, and gross profit amounted to HK\$229 million, increased by 62.5% as compared with the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the period under business review, the progress and cost budget of the Changde Project (Phase III) in Hunan Province and the Yanzhou Project in Jining City under construction were operated as planned. The Changde Project (Phase III) in Hunan Province is expected to put into trial operation in the second half of the year and commence commercial operation early next year. The Yanzhou Project in Jining City is expected to put into trial operation early next year and commence commercial operation in the second half of next year. The Zhangjiagang Jingmai Project is currently at the peak foundation construction period of its main factory building, and is planned to put into operation in 2023. In the first half of 2021, construction and technological transformation projects contributed to the Group an operating revenue of HK\$213 million and gross profit of HK\$39 million.

Ecological construction segment

During the period under business review, as Beijing Beikong Ecology & Construction Group Co., Ltd. (“Beikong Ecology”) was unable to carry out partial sites construction as scheduled due to the COVID-19 epidemic and its prevention of works control, together with the new environmental protection requirement imposed on construction this year, the performance of Beikong Ecology was adversely affected. In the first half of 2021, the Group successfully won new tenders and signed a total of 33 contracts, of which 5 contracts were municipal projects and landscape construction projects and 28 contracts were landscape planning and design projects. The total amount of new contracts signed was approximately RMB96 million. During the period, the ecological construction segment recorded a revenue of HK\$166 million, increased by 42% over the corresponding period of last year, and profit for the period was HK\$1.6 million, decreased by 80% as compared with the corresponding period of last year.

PROSPECT

In the second half of 2021, the Company will intensify its efforts in market development, invest resources in some key areas and regions, explore the markets and expand the business scope of the Group. The main plans of which include:

- (1) Continue to deepen and develop its waste incineration projects, focus on industrial policies and renewable energy subsidy policies, the Group goes for regions with better economic conditions and more friendly resources integration environment and expand its market size through addition, cooperation, acquisition and other measures.
- (2) Adopt industrial parks with circular economy to incorporate sludge, kitchen waste, biomass and other projects into its existing project portfolios.
- (3) Further promote the treatment project of organic waste such as kitchen and food waste.
- (4) Explore the diversity of industries, promote environmental remediation projects, pay attention to construction projects such as soil remediation and landfill closure, and conduct in-depth industry research.

The Company will implement the concept of green development, firmly adhere to the strategic positioning of “becoming a domestic leading provider offering comprehensive services on environmental improvement” and promote the sustainable development of the Group in the medium to long-term that integrates with the “14th Five-year” corporate strategic development plans.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue and gross profit

During the six months ended 30 June 2021, the Group recorded revenue of HK\$956.12 million, increased by 60% as compared with the corresponding period in last year of HK\$599.09 million. The revenue derived from the solid waste treatment and the sale of electricity and steam amounted to HK\$577.81 million, increased by 27% as compared with last corresponding period of HK\$455.82 million. The revenue derived from the waste treatment construction and related services amounted to HK\$212.63 million, substantially increased by 7 times as compared with last corresponding period of HK\$26.45 million. The revenue derived from the ecological construction and related services amounted to HK\$165.68 million, increased by 42% as compared with last corresponding period of HK\$116.82 million.

The Group's gross profit amounted to HK\$290.73 million, increased by 64% as compared with last corresponding period of HK\$177.71 million. The overall gross profit margin increased from 29.7% to 30.4%.

	Revenue For the six months ended 30 June		Gross profit For the six months ended 30 June		Gross profit margin For the six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	2021 %	2020 %
Household waste treatment	145.10	118.73				
Other solid waste treatment	94.78	53.26				
Sale of electricity and steam	337.93	283.83				
	577.81	455.82	228.55	140.66	39.6	30.9
Waste treatment construction and related services	212.63	26.45	39.31	6.02	18.5	22.8
Ecological construction and related services	165.68	116.82	22.87	31.03	13.8	26.6
	956.12	599.09	290.73	177.71	30.4	29.7

Other income and gains, net

The Group recorded net other income and gains of HK\$47.75 million during the six months ended 30 June 2021, decreased by HK\$0.57 million as compared with last corresponding period of HK\$48.32 million. The other income for the period mainly comprised value added tax refund from household waste treatment business of HK\$22.76 million (first half of 2020: HK\$34.49 million), interest income of HK\$8.58 million (first half of 2020: HK\$6.46 million), government grants of HK\$8.63 million (first half of 2020: HK\$2.84 million) and net foreign exchange gain of HK\$3.33 million (first half of 2020: net loss of HK\$4.05 million was included in "Other operating expenses, net").

Selling expenses

The Group's selling expenses for the six months ended 30 June 2021 increased by HK\$3.22 million to HK\$4.34 million, which was mainly incurred by the waste treatment construction and related services.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2021 increased by 23% or HK\$16.34 million to HK\$88.56 million, which was mainly caused by the expansion of the Group's business scale and foreign exchange rate effect.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other operating expenses, net

The Group incurred net other operating expenses of HK\$11.47 million during the six months ended 30 June 2021, increased by HK\$6.72 million as compared with last corresponding period of HK\$4.75 million (included net foreign exchange loss of HK\$4.05 million). The other operating expenses for the period included the fair value loss of an investment property of HK\$10.60 million.

Finance costs

The Group's finance costs for the six months ended 30 June 2021 decreased by 3% or HK\$1.18 million to HK\$37.85 million, which mainly comprised interest on bank loans of HK\$9.24 million (first half of 2020: HK\$5.42 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\$16.91 million (first half of 2020: HK\$17.04 million) and imputed interest on convertible bond issued to Idata Finance Trading Limited ("Idata"), the immediate holding company of the Company, of HK\$14.96 million (first half of 2020: HK\$14.84 million). Interest on bank and other borrowings of HK\$4.79 million (first half of 2020: Nil) incurred for the construction of solid waste treatment projects have been capitalised during the period.

Income tax

The Group's income tax expense for the six months ended 30 June 2021 amounted to HK\$40.30 million, increased by 2.34 times or HK\$28.22 million as compared with last corresponding period of HK\$12.08 million. Current tax charge was HK\$27.50 million (first half of 2020: HK\$9.38 million) and deferred tax charge was HK\$12.80 million (first half of 2020: HK\$2.70 million). During the period, the tax-free period of a major subsidiary of the Company has expired. The Group's effective tax rate for the period was 20.5% (first half of 2020: 11.1%).

EBITDA and profit for the period

EBITDA for the six months ended 30 June 2021 was HK\$331.51 million, increased by 33% or HK\$82.59 million as compared with last corresponding period of HK\$248.92 million. Profit for the period amounted to HK\$155.97 million, increased by 61% or HK\$59.15 million as compared with last corresponding period of HK\$96.82 million. Profit for the period attributable to shareholders of the Company amounted to HK\$138.56 million, increased by 50% or HK\$46.11 million as compared with last corresponding period of HK\$92.45 million.

	EBITDA		Profit for the period		Profit for the period attributable to shareholders of the Company	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million	2021 HK\$ million	2020 HK\$ million
Solid waste treatment segment	345.56	242.19	190.16	118.07	173.53	117.44
Ecological construction segment	5.69	18.01	1.60	7.84	0.87	4.10
Corporate and others segment	(19.74)	(11.28)	(35.79)	(29.09)	(35.84)	(29.09)
	331.51	248.92	155.97	96.82	138.56	92.45

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL POSITION

Except for the construction and continuous technical modifications of the waste treatment plants, the Group had made no material investment, acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2021.

Total assets and total liabilities

As at 30 June 2021, the Group had total assets and total liabilities amounted to HK\$10,121.53 million and HK\$6,285.55 million, respectively, increased by HK\$368.98 million and HK\$124.56 million as compared with those as at 31 December 2020, respectively. Net assets of the Group was HK\$3,835.99 million, increased by HK\$244.42 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\$1,042.43 million. During the period, the net carrying amount of the Group's property, plant and equipment increased by HK\$12.25 million to HK\$1,111.58 million, of which capital expenditure of HK\$34.29 million (first half of 2020: HK\$20.90 million) has been incurred and HK\$35.20 million (first half of 2020: HK\$38.90 million) has been depreciated in the statement of profit or loss.

Goodwill

The Group acquired certain companies engaging in the solid waste treatment business in April 2014 and October 2016 and aggregate goodwill of HK\$1,122.55 million arose from these acquisitions.

Operating concessions

The Group's operating concessions are recognised from the solid waste treatment plants operated under Build-Operate-Transfer ("BOT") arrangements. During the period, the net carrying amount of the Group's operating concessions increased by HK\$215.67 million to HK\$2,654.72 million, of which additions to operating concessions of HK\$239.18 million (first half of 2020: HK\$117.97 million) has been incurred and HK\$52.90 million (first half of 2020: HK\$51.58 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 period, the carrying amount of the Group's receivables under service concession arrangements increased by HK\$158.90 million to HK\$2,392.55 million.

Inventories

The Group's inventories decreased by HK\$1.17 million to HK\$42.67 million from the end of last year, which mainly represented coal and consumables used for the operation of solid waste treatment plants.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Trade and bills receivables

The Group's trade and bills receivable increased by HK\$181.72 million to HK\$698.10 million from the end of last year, of which receivables from local electricity corporations amounted to HK\$410.33 million. According to the ageing analysis based on the invoice date, trade receivables of HK\$318.07 million (45%) are unbilled, HK\$242.43 million (35%) are billed within 3 months, HK\$111.36 million (16%) are billed within 4 to 12 months and HK\$26.24 million (4%) are billed over 1 year.

Contract assets

The Group's contract assets increased by HK\$21.55 million to HK\$421.11 million, of which related to waste treatment construction was HK\$42.62 million and ecological construction was HK\$378.49 million.

Prepayments, deposits and other receivables

The Group's total prepayments, deposits and other receivables decreased by HK\$25.08 million to HK\$150.33 million from the end of last year, which mainly comprised prepayments of HK\$34.76 million, value added tax refund and other taxes recoverable of HK\$68.21 million, balances due from related parties of HK\$9.92 million, deposits and other receivables of HK\$37.44 million.

Bank and other borrowings

The Group's bank and other borrowings were all denominated in Renminbi. During the period, the Group repaid RMB52.80 million and further advanced for RMB233.60 million. As at 30 June 2021, the Group has bank and other borrowings amounted to RMB1,064.52 million, of which RMB459.88 million from commercial banks in Mainland China, RMB572.94 million from BG Finance and RMB31.70 million from other parties relating to the ecological construction business. The weighted average interest rate of the Group's bank and other borrowings was 4.5% per annum.

Convertible bond

The Group's convertible bond was issued to Idata with principal amount of HK\$2,202.30 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 30 June 2021, for accounting purpose, the outstanding convertible bond were bifurcated into liability component of HK\$2,192.07 million and equity component of HK\$147.03 million.

Deferred income

The Group's deferred income increased by HK\$0.01 million to HK\$150.64 million from the end of last year, which mainly represented the government grants and subsidies on solid waste treatment business in Mainland China.

Trade payables

The Group's trade payables decreased by HK\$123.14 million to HK\$637.56 million from the end of last year, 34% of which (HK\$218.79 million) were unbilled.

Other payables and accruals

The Group's total other payables and accruals decreased by HK\$3.05 million to HK\$1,724.84 million from the end of last year, which mainly comprised (i) an amount due to Idata of HK\$491.00 million and (ii) amounts due to fellow subsidiaries of HK\$1,067.06 million, which are unsecured and non-interest-bearing.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and financial resources

The Group adopts conservative treasury policies in cash management. As at 30 June 2021, the Group had cash and cash equivalents amounted to HK\$1,345.13 million (approximately 80% of which were denominated in Renminbi and 20% of which were denominated in Hong Kong dollars and United States dollars); bank and other borrowings amounted to RMB1,064.52 million; non-interest-bearing amounts due to Idata and certain fellow subsidiaries of the Company amounted to HK\$491.00 million and RMB885.66 million, respectively; and non-interest bearing convertible bond issued to Idata in the principal amount of HK\$2,202.30 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\$2,693.30 million (including the principal amount of outstanding convertible bond of HK\$2,202.30 million) and RMB800.00 million, until such time when the Group is in a position to repay without impairing its liquidity and financial position.

As at 30 June 2021, the Group's current liabilities of HK\$4,752.65 million exceeded its current assets of HK\$2,732.82 million. In consideration of the stable cash recurring nature of solid waste treatment operations and the financial support of the holding companies and fellow subsidiaries, 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

	For the six months ended 30 June	
	2021	2020
Gross profit margin	30.4%	29.7%
Operating profit margin	24.5%	24.7%
Net profit margin	16.3%	16.2%
Return on average equity	4.2%	3.3%

	30 June 2021	31 December 2020
Current ratio (times)	0.58	0.56
Debt ratio (total liabilities/total assets)	62.1%	63.2%
Gearing ratio (net debt/total equity)	55.5%	47.6%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital expenditure and commitment

During the six months ended 30 June 2021, the Group's total capital expenditures amounted to HK\$273.90 million, of which HK\$255.89 million was spent on construction and modification of waste treatment plants and HK\$18.01 million was spent on purchase of other assets. As at 30 June 2021, the Group has capital commitment for service concession arrangements amounted to HK\$1,181.14 million.

Charges on the Group's assets

As at 30 June 2021, save as (i) the Group's buildings with a net carrying amount of HK\$279.83 million, the Group's right-of-use assets of HK\$7.83 million and the Group's trade receivables arising from the provision of solid waste treatment service with a net carrying amount of HK\$142.99 million are pledged for the Group's bank loans, and (ii) the Group's bank deposits of HK\$6.10 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 exchange rates would impact the Group's net asset value. During the six months ended 30 June 2021, the gains arising on settlement or translation of monetary items of HK\$3.33 million (first half of 2020: losses of HK\$4.05 million) are taken to the statement of profit or loss and the comprehensive gains arising on translation of foreign operations of HK\$56.54 million (first half of 2020: losses of HK\$84.13 million) are recognised in the exchange fluctuation reserve. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 1,247 employees (31 December 2020: 1,273). Total staff cost for the six months ended 30 June 2021 was HK\$136.82 million, increased by 29% as compared with HK\$106.03 million in the corresponding period 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
REVENUE	4	956,121	599,092
Cost of sales		(665,391)	(421,387)
Gross profit		290,730	177,705
Other income and gains, net	5	47,752	48,316
Selling expenses		(4,335)	(1,120)
Administrative expenses		(88,562)	(72,226)
Other operating expenses, net		(11,468)	(4,751)
PROFIT FROM OPERATING ACTIVITIES	6	234,117	147,924
Finance costs	7	(37,849)	(39,024)
PROFIT BEFORE TAX		196,268	108,900
Income tax	8	(40,300)	(12,078)
PROFIT FOR THE PERIOD		155,968	96,822
ATTRIBUTABLE TO:			
Shareholders of the Company		138,555	92,453
Non-controlling interests		17,413	4,369
		155,968	96,822
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	10		
– Basic (HK cents)		9.23	6.16
– Diluted (HK cents)		4.45	3.11

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	155,968	96,822
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX		
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	61,359	(90,939)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	217,327	5,883
ATTRIBUTABLE TO:		
Shareholders of the Company	195,091	8,326
Non-controlling interests	22,236	(2,443)
	217,327	5,883

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		1,111,577	1,099,326
Investment property		38,555	48,571
Right-of-use assets		59,894	66,521
Goodwill		1,122,551	1,122,551
Operating concessions		2,654,724	2,439,053
Other intangible assets		54,792	55,568
Investment in a joint venture		6,652	6,652
Receivables under service concession arrangements	11	2,322,911	2,165,794
Prepayments, deposits and other receivables	13	264	185
Deferred tax assets		16,792	18,307
Total non-current assets		7,388,712	7,022,528
Current assets:			
Inventories		42,670	43,842
Receivables under service concession arrangements	11	69,643	67,856
Trade and bills receivables	12	698,104	516,380
Contract assets		421,110	399,559
Prepayments, deposits and other receivables	13	150,068	175,230
Pledged deposits		6,100	7,122
Cash and cash equivalents		1,345,126	1,520,036
Total current assets		2,732,821	2,730,025
TOTAL ASSETS		10,121,533	9,752,553

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

30 June 2021

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	14	2,227,564	2,227,564
Equity component of convertible bond	15	147,029	147,029
Other reserves		1,028,812	819,902
		3,403,405	3,194,495
Non-controlling interests		432,583	397,070
TOTAL EQUITY		3,835,988	3,591,565
Non-current liabilities:			
Bank and other borrowings	16	1,127,506	886,438
Provision for major overhauls		10,368	9,283
Other payables	18	13,376	20,210
Deferred income		150,636	150,626
Deferred tax liabilities		231,006	217,320
Total non-current liabilities		1,532,892	1,283,877
Current liabilities:			
Trade payables	17	637,560	760,696
Other payables and accruals	18	1,711,459	1,707,679
Bank and other borrowings	16	155,047	165,604
Convertible bond	15	2,192,074	2,177,112
Income tax payables		56,513	66,020
Total current liabilities		4,752,653	4,877,111
TOTAL LIABILITIES		6,285,545	6,160,988
TOTAL EQUITY AND LIABILITIES		10,121,533	9,752,553

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to shareholders of the Company									
	Share capital	Equity convertible bond	Share option reserve	Capital reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	2,227,564	147,029	20,789*	12,180*	33,334*	44,279*	709,320*	3,194,495	397,070	3,591,565
Profit for the period	-	-	-	-	-	-	138,555	138,555	17,413	155,968
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	56,536	-	-	56,536	4,823	61,359
Total comprehensive income for the period	-	-	-	-	56,536	-	138,555	195,091	22,236	217,327
Transfer of share option reserve upon the lapse of share options	-	-	(20,789)	-	-	-	20,789	-	-	-
Capital contribution from a non-controlling equity holder of a subsidiary	-	-	-	13,819	-	-	-	13,819	13,277	27,096
Transfer to PRC reserve funds	-	-	-	-	-	4,070	(4,070)	-	-	-
At 30 June 2021	2,227,564	147,029	-*	25,999*	89,870*	48,349*	864,594*	3,403,405	432,583	3,835,988
At 1 January 2020	2,227,564	147,029	20,789	12,180	(214,424)	26,144	598,428	2,817,710	293,255	3,110,965
Profit for the period	-	-	-	-	-	-	92,453	92,453	4,369	96,822
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	(84,127)	-	-	(84,127)	(6,812)	(90,939)
Total comprehensive income/(loss) for the period	-	-	-	-	(84,127)	-	92,453	8,326	(2,443)	5,883
Capital contribution from non-controlling equity holders of a subsidiary	-	-	-	-	-	-	-	-	18,667	18,667
Transfer to PRC reserve funds	-	-	-	-	-	13,079	(13,079)	-	-	-
At 30 June 2020	2,227,564	147,029	20,789	12,180	(298,551)	39,223	677,802	2,826,036	309,479	3,135,515

* These reserve accounts comprise the consolidated other reserves of HK\$1,028,812,000 (unaudited) (31 December 2020: HK\$819,902,000) in the condensed consolidated statement of financial position as at 30 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from/(used in) operations	(101,506)	99,664
Mainland China income tax paid	(37,799)	(10,014)
Hong Kong income tax paid	–	(486)
Net cash flows from/(used in) operating activities	(139,305)	89,164
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(34,294)	(20,896)
Additions of operating concessions	(234,393)	(117,968)
Interest received	8,581	6,460
Decrease in pledged deposits	1,108	–
Other cash flows used in investing activities, net	(86)	–
Net cash flows used in investing activities	(259,084)	(132,404)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from non-controlling equity holders of subsidiaries	27,096	18,667
New bank loans	281,451	–
Repayment of bank loans	(18,072)	(11,111)
New other loans	–	5,678
Repayment of other loans	(45,542)	(34,222)
Interest paid	(26,599)	(23,181)
Other cash flows used in financing activities, net	(7,639)	(8,007)
Net cash flows from/(used in) financing activities	210,695	(52,176)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	1,409,400	1,306,276
Effect of foreign exchange rate changes, net	12,723	(17,858)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,234,429	1,193,002

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits:		
Placed in banks	1,178,187	880,067
Placed in a financial institution	33,901	69,386
Time deposits	139,138	362,417
Less: Pledged deposits	(6,100)	(8,452)
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	1,345,126	1,303,418
Less: Time deposits with maturity of more than three months when acquired	(110,697)	(110,416)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	1,234,429	1,193,002

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

In preparing the unaudited interim condensed consolidated financial information, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets as at 30 June 2021. Taking into account the Group’s internal resources and continuous financial support from holding companies, the directors of the Company considered that the Group will be able to operate on a going concern basis. Accordingly, the unaudited interim condensed consolidated financial information has been prepared on a going concern basis.

The financial information relating to the year ended 31 December 2020 that is included in this unaudited interim condensed consolidated financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to those statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2020 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 Company for the year ended 31 December 2020. The auditor’s report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

The interim condensed consolidated financial information has not been audited, but has been reviewed by the Company’s audit committee.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information:

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Renminbi ("RMB") based on the Loan Prime Rate from the People's Bank of China as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021. Earlier application is permitted. The amendment was early adopted by the Group on 1 January 2021 and it did not have any impact on the financial position and performance of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(CONTINUED)*

For the six months ended 30 June 2021

3. 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 period.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The following table presents the revenue and profit/(loss) regarding the Group's operating segments for the six months ended 30 June 2021 and 2020 and the total assets and total liabilities regarding the Group's operating segments as at 30 June 2021 and 31 December 2020, respectively.

	Solid waste treatment (Unaudited) HK\$'000	Ecological construction services (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2021				
Segment revenue (note 4)	790,439	165,682	–	956,121
Cost of sales	(522,582)	(142,809)	–	(665,391)
Gross profit	267,857	22,873	–	290,730
Profit/(loss) from operating activities	253,552	1,156	(20,591)	234,117
Finance costs	(21,840)	(1,006)	(15,003)	(37,849)
Profit/(loss) before tax	231,712	150	(35,594)	196,268
Income tax	(41,550)	1,447	(197)	(40,300)
Profit/(loss) for the period	190,162	1,597	(35,791)	155,968
Segment profit/(loss) attributable to shareholders of the Company	173,532	864	(35,841)	138,555
At 30 June 2021				
Segment assets	9,176,519	591,902	353,112	10,121,533
Segment liabilities	3,142,432	395,143	2,747,970	6,285,545

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

3. OPERATING SEGMENT INFORMATION (CONTINUED)

	Solid waste treatment (Unaudited) HK\$'000	Ecological construction services (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2020				
Segment revenue (note 4)	482,268	116,824	–	599,092
Cost of sales	(335,591)	(85,796)	–	(421,387)
Gross profit	146,677	31,028	–	177,705
Profit/(loss) from operating activities	151,976	9,855	(13,907)	147,924
Finance costs	(22,780)	(1,328)	(14,916)	(39,024)
Profit/(loss) before tax	129,196	8,527	(28,823)	108,900
Income tax	(11,120)	(690)	(268)	(12,078)
Profit/(loss) for the period	118,076	7,837	(29,091)	96,822
Segment profit/(loss) attributable to shareholders of the Company	117,449	4,094	(29,090)	92,453
At 31 December 2020				
Segment assets	8,973,091	585,564	193,898	9,752,553
Segment liabilities	3,066,609	419,267	2,675,112	6,160,988

During the six months ended 30 June 2021, the Group has addition of property, plant and equipment and operating concessions with a total cost of HK\$273,897,000 (six months ended 30 June 2020: HK\$138,864,000).

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 interim condensed consolidated financial information.

Information about a major customer

During the six months ended 30 June 2021, the Group had transactions with an external customer which accounted for 10% or more of the Group's total revenue. The revenue generated from sales to this customer amounted to HK\$120,221,000 (six months ended 30 June 2020: HK\$114,103,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

4. REVENUE

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

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue		
Household waste treatment*	145,101	118,732
Hazardous and medical waste treatment	26,669	21,660
Food waste, leachate, sludge and other treatments	68,110	31,594
Sale of electricity	330,313	279,912
Sale of steam	7,619	3,916
Waste treatment construction and related services*	212,627	26,454
Ecological construction services	158,581	87,828
Ecological design services	7,101	28,996
	956,121	599,092

* Imputed interest income under service concession arrangements during the period amounting to HK\$47,299,000 (six months ended 30 June 2020: HK\$44,626,000) was included in the revenue derived from household waste treatment services and waste treatment construction and related services.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

4. REVENUE (CONTINUED)

Disaggregated information of revenue from contracts with customers

Segment	Solid waste treatment (Unaudited) HK\$'000	Ecological construction services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2021			
Type of goods or services			
Household waste treatment	97,802	–	97,802
Hazardous and medical waste treatment	26,669	–	26,669
Food waste, leachate, sludge and other treatments	68,110	–	68,110
Sale of electricity	330,313	–	330,313
Sale of steam	7,619	–	7,619
Waste treatment construction and related services	212,627	–	212,627
Ecological construction services	–	158,581	158,581
Ecological design services	–	7,101	7,101
Total revenue from contracts with customers	743,140	165,682	908,822
Revenue from another source: Imputed interest income	47,299	–	47,299
Total revenue	790,439	165,682	956,121
Geographical markets			
Total revenue from contracts with customers in Mainland China	743,140	165,682	908,822
Revenue from another source: Imputed interest income	47,299	–	47,299
Total revenue	790,439	165,682	956,121
Timing of revenue recognition			
Goods and services transferred at a point of time	530,513	7,101	537,614
Services transferred over time	212,627	158,581	371,208
Total revenue from contracts with customers	743,140	165,682	908,822
Revenue from another source: Imputed interest income	47,299	–	47,299
Total revenue	790,439	165,682	956,121

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

4. REVENUE (CONTINUED)

Disaggregated information of revenue from contracts with customers (continued)

Segment	Solid waste treatment (Unaudited) HK\$'000	Ecological construction services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2020			
Type of goods or services			
Household waste treatment	74,106	–	74,106
Hazardous and medical waste treatment	21,660	–	21,660
Food waste, leachate, sludge and other treatments	31,594	–	31,594
Sale of electricity	279,912	–	279,912
Sale of steam	3,916	–	3,916
Waste treatment construction and related services	26,454	–	26,454
Ecological construction services	–	87,828	87,828
Ecological design services	–	28,996	28,996
Total revenue from contracts with customers	437,642	116,824	554,466
Revenue from another source: Imputed interest income	44,626	–	44,626
Total revenue	482,268	116,824	599,092
Geographical markets			
Mainland China	427,690	116,824	544,514
Hong Kong	9,952	–	9,952
Total revenue from contracts with customers	437,642	116,824	554,466
Revenue from another source: Imputed interest income	44,626	–	44,626
Total revenue	482,268	116,824	599,092
Timing of revenue recognition			
Goods and services transferred at a point of time	421,140	28,996	450,136
Services transferred over time	16,502	87,828	104,330
Total revenue from contracts with customers	437,642	116,824	554,466
Revenue from another source: Imputed interest income	44,626	–	44,626
Total revenue	482,268	116,824	599,092

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

5. OTHER INCOME AND GAINS, NET

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

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Value added tax refund	22,760	34,493
Interest income	8,581	6,460
Rental income	1,558	1,442
Government grants [#]	8,627	2,844
Foreign exchange differences, net	3,326	–
Others	2,900	3,077
Other income and gains, net	47,752	48,316

[#] The government grants recognised by the Group during the period represented subsidies received from certain government authorities as incentives to promote and accelerate development in the local provinces.

6. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	35,540	38,897
Depreciation of right-of-use assets	7,428	7,664
Amortisation of operating concessions*	52,897	51,576
Amortisation of other intangible assets*	1,532	2,861
Foreign exchange differences, net	(3,326)	4,052

* Amortisation of operating concessions and other intangible assets of HK\$54,238,000 (six months ended 30 June 2020: HK\$54,137,000) in total and HK\$191,000 (six months ended 30 June 2020: HK\$300,000) in total are included in "Cost of sales" and "Administrative expenses" in the condensed consolidated statements of profit or loss, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest on bank and other borrowings	26,599	23,181
Imputed interest on convertible bond	14,962	14,838
Interest on lease liabilities	783	783
Total interest expenses	42,344	38,802
Less: Interest capitalised	(4,789)	–
	37,555	38,802
Other finance costs:		
Increase in discounted amounts of provision for major overhauls arising from the passage of time	294	222
	37,849	39,024

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

8. INCOME TAX

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2021 as the Group did not generate any assessable profits arising in Hong Kong during the period. In respect of the six months ended 30 June 2020, Hong Kong profits tax has been provided at the rate of 16.5% in the estimated assessable profit arising in Hong Kong. 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.

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current – Hong Kong Charge for the period	–	37
Current – Mainland China Charge for the period	31,815	9,280
Under/(over) provision in prior periods	(4,318)	61
	27,497	9,378
Deferred	12,803	2,700
Total tax charge for the period	40,300	12,078

In accordance with the relevant tax laws of the People's Republic of China (the "PRC"), certain subsidiaries of the Group which are engaged in the solid waste treatment business are exempted from corporate income tax for three years starting from the first year they generated revenue and are granted with a 50% corporate income tax reduction for the ensuing three years.

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to shareholders of the Company, adjusted to reflect the imputed interest on convertible bond. The weighted average number of ordinary shares used in the calculation is the total of the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Earnings		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	138,555	92,453
Imputed interest on convertible bond (note 7)	14,962	14,838
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	153,517	107,291
	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period, 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 bond	1,948,938,053	1,948,938,053
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	3,449,298,203	3,449,298,203

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

11. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivables under service concession arrangements represented the Group's unconditional right to receive cash or another financial asset for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service under service concession arrangements. They were all unbilled as at 30 June 2021 and 31 December 2020.

Details of contract assets attributable to service concession arrangements as at the end of the reporting period are as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Contract assets included in:		
Operating concessions	558,890	324,338
Receivables under service concession arrangements	279,299	96,438
	838,189	420,776

Contract assets are initially recognised for revenue earned from the provision of construction services for solid waste incineration plants during the period of construction under the service concession arrangements. Pursuant to the service concession agreements, the Group receives no payment from the grantors during the construction period and receives service fees when the relevant solid waste treatment services are rendered. The receivables under service concession arrangements (including the contract assets therein) are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. Amounts billed will then be transferred to trade receivables (note 12). The increase in contract assets as at 30 June 2021 was the result of the ongoing construction of the solid waste incineration plants. The Group's trading terms and credit policy with customers are disclosed in note 12 to the financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

12. TRADE AND BILLS RECEIVABLES

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:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Billed:		
Within 3 months	242,431	203,761
4 to 6 months	73,611	20,764
7 to 12 months	37,751	18,418
1 to 2 years	17,319	23,377
2 to 3 years	4,005	2,738
Over 3 years	4,920	3,664
	380,037	272,722
Unbilled*	318,067	243,658
	698,104	516,380

* The unbilled balance was attributable to the renewable energy tariff subsidy from the sale of electricity.

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.

As at 30 June 2021, the trade receivables of HK\$142,993,000 (31 December 2020: HK\$55,660,000) arising from the provision of solid waste treatment services are pledged to secure bank loans granted to the Group (note 16(c)).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Prepayments	34,756	99,272
Deposits and other receivables	109,810	67,801
Due from fellow subsidiaries	9,915	7,384
Due from non-controlling equity holders of subsidiaries	1,925	6,860
	156,406	181,317
Impairment allowance	(6,074)	(5,902)
	150,332	175,415
Current portion	(150,068)	(175,230)
	264	185

The balances with fellow subsidiaries and non-controlling equity holders of subsidiaries are unsecured, interest-free and repayable on demand.

14. SHARE CAPITAL

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Issued and fully paid: 1,500,360,150 ordinary shares	2,227,564	2,227,564

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

15. CONVERTIBLE BOND

A summary of the movements in the principal amount, and the liability and equity components of the Company's convertible bond during the six months ended 30 June 2021 and 2020 is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Principal amount outstanding	2,202,300	2,202,300
Liability component	2,192,074	2,177,112
Equity component	147,029	147,029

On 31 October 2016, pursuant to the completion of the acquisition of certain equity interests in companies engaged in the solid waste treatment business from BEHL, an intermediate holding company of the Company, the Company issued convertible bond in the principal amount of HK\$2,202,300,000 to Idata Finance Trading Limited ("Idata"), the immediate holding company of the Company and a wholly-owned subsidiary of BEHL, as consideration. The convertible bond have an initial conversion price of HK\$1.13 per ordinary share of the Company, bear no interest and will mature on 31 October 2021.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

16. BANK AND OTHER BORROWINGS

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Bank loan – unsecured	(b)	12,035	–
Bank loans – secured	(c)	542,036	287,232
		554,071	287,232
Other loans – unsecured			
A fellow subsidiary	(d)	690,289	713,619
Others	(e)	38,193	51,191
		728,482	764,810
Total bank and other borrowings		1,282,553	1,052,042
Portion classified as current liabilities		(155,047)	(165,604)
Non-current portion		1,127,506	886,438

Notes:

- (a) The Group's bank and other borrowings were all denominated in Renminbi.
- (b) At 30 June 2021, the Group's unsecured bank loan bears interest at the floating loan prime rate of five years or above from the People's Bank of China less 55 basis points and is repayable in 2022.
- (c) At 30 June 2021, the Group's secured bank loans bear interest at the floating loan prime rate of five years or above from the People's Bank of China less 2 to 68 basis points (31 December 2020: less 2 to 58.3 basis points), and are secured by the pledge over (i) the Group's buildings with a net carrying amount of HK\$279,835,000 (31 December 2020: HK\$282,873,000); (ii) the Group's leasehold land of HK\$7,830,000 (31 December 2020: HK\$7,848,000); and (iii) the Group's trade receivables arising from the provision of solid waste treatment service with an aggregate net carrying amount of HK\$142,993,000 (31 December 2020: HK\$55,660,000) (note 12) and are repayable by instalments up to 2035.
- (d) At 30 June 2021, the Group's other loans from 北京控股集團財務有限公司 ("BG Finance"), a fellow subsidiary of the Company, bear interest at the floating loan prime rate of five years or above from the People's Bank of China ranging from less 4.4 to plus 10.3 basis points (31 December 2020: ranging from less 4.4 to plus 10.3 basis points), and are repayable by instalments up to 2027.
- (e) At 30 June 2021, the Group's other loans are repayable on demand and advanced from (i) non-controlling equity holders of a subsidiary in a total amount of HK\$11,807,000 which bear interest at 4.35% per annum (31 December 2020: HK\$5,952,000 which was interest free and HK\$19,167,000 which bore interest at 4.35% to 6.525% per annum); and (ii) third parties of HK\$26,386,000 which bear interest at 4.35% per annum (31 December 2020: HK\$26,072,000 which bore interest at floating lending rates from the People's Bank of China).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

17. TRADE PAYABLES

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:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Billed:		
Less than 3 months	100,129	198,167
4 to 6 months	34,946	51,544
7 to 12 months	181,753	48,982
Over 1 year	101,940	90,186
	418,768	388,879
Unbilled*	218,792	371,817
	637,560	760,696

* The unbilled balance represented construction payables for solid waste incineration plants and ecological construction services which have not been billed by the suppliers.

Included in the trade payables of the Group is an amount of HK\$60,340,000 (31 December 2020: HK\$61,821,000) due to a non-controlling equity holder of a subsidiary. The balance arising from the transactions carried out in the ordinary course of business of the Group, and is unsecured, interest-free and repayable on credit term similar to those offered by the non-controlling equity holder of a subsidiary to its major customers.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

18. OTHER PAYABLES AND ACCRUALS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Other payables	101,029	82,927
Contract liabilities	8,577	3,962
Lease liabilities	25,348	31,820
Accruals	20,293	32,528
Due to the immediate holding company	491,000	491,000
Due to a non-controlling equity holder of a subsidiary	6,361	–
Due to fellow subsidiaries	1,067,063	1,080,837
Due to a joint venture	5,164	4,815
Total other payables and accruals	1,724,835	1,727,889
Current portion	(1,711,459)	(1,707,679)
Non-current portion	13,376	20,210

Other payables are non-interest-bearing and have an average term of three to six months.

The balances with the immediate holding company, a non-controlling equity holder of a subsidiary, fellow subsidiaries and a joint venture are unsecured, interest-free and repayable on demand.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

19. CAPITAL COMMITMENTS

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Contracted, but not provided for:		
Service concession arrangements on a BOO basis	59,175	59,232
Service concession arrangements on a BOT basis	1,121,967	978,444
	1,181,142	1,037,676

20. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

Name of related party	Nature of transaction	Notes	For the six months ended 30 June	
			2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Fellow subsidiaries:				
北京北控宏創科技有限公司 ("Hong Chuang")	Rental income [#]	(i)	1,539	1,423
BG Finance	Interest income [#]	(ii)	60	141
BG Finance	Interest expense	(iii)	16,907	17,042

[#] These transactions constitute continuing connected transactions that are subject to the announcement, reporting and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

20. RELATED PARTY DISCLOSURES (CONTINUED)

(a) (continued)

Notes:

- (i) The rental income received from Hong Chuang in respect of Block 5, Beikong Hong Chuang Technology Park, Beijing, the PRC was mutually agreed between the parties under the property escrow agreements dated 25 October 2018 and was determined with reference to the prevailing market rent generally applicable to similar properties in the market. Further details of the transaction are set out in the announcement of the Company dated 25 October 2018.
- (ii) The interest received from BG Finance was mutually agreed between the parties under the deposit services master agreement dated 23 December 2020, pursuant to which the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time for the period from 1 January 2021 to 31 December 2023. The deposit rate will not be lower than (i) the minimum interest rate prescribed by the People's Bank of China; (ii) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group; and (iii) the interest rates offered by BG Finance to other members of 北京控股集團有限公司 ("BEGCL"), for the same type of deposits at the same period; and the cumulative daily outstanding deposit balance in Hong Kong dollars equivalent placed by the Group with BG Finance (including any interest accrued thereon) during the term of the agreement will not exceed HK\$40,000,000. The deposits placed by the Group with BG Finance as at 30 June 2021 amounted to HK\$33,901,000 (31 December 2020: HK\$33,031,000). Further details of the transaction are set out in the announcement of the Company dated 23 December 2020.
- (iii) The interest expenses were paid for loans obtained from BG Finance and the interest rates were mutually agreed with BG Finance, which will not be higher than the interest rates prescribed by the People's Bank of China at the same period.

(b) Outstanding balances with related parties

- (i) Details of the Group's balances with the immediate holding company, fellow subsidiaries, a joint venture and non-controlling equity holders of subsidiaries included in prepayments, deposits and other receivables, convertible bond, bank and other borrowings, trade payables and other payables and accruals as at the end of the reporting period are disclosed in notes 13, 15, 16, 17 and 18 to the financial information, respectively.
- (ii) Details of the Group's cash deposits placed in and other loans borrowed from the fellow subsidiary as at the end of the reporting period are disclosed in notes 20(a)(ii) and 16(d) to the financial information, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2021

20. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Short term employee benefits	7,227	6,427
Post-employment benefits	466	160
Total compensation paid to key management personnel	7,693	6,587

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

The Company is a state-owned enterprise of the PRC government and is subject to the control of The State-owned Assets Supervision and Administration Commission of The People's Government of Beijing Municipality and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "Other SOEs"). During the period, the Group has transactions with the Other SOEs including, but not limited to, the sale of electricity, provision of waste treatment and construction services, bank deposits and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are Other SOEs. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

21. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 30 June 2021 amounted to HK\$2,019,832,000 (31 December 2020: HK\$2,147,086,000) and HK\$5,368,880,000 (31 December 2020: HK\$4,875,442,000), respectively.

22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 31 August 2021.

DISCLOSEABLE INFORMATION

DIRECTORS

The directors of the Company during the six months ended 30 June 2021 and up to the date of this report were:

Executive directors:

Mr. Ke Jian (*Chairman*)

Ms. Sha Ning (*Vice President*)

Mr. Ng Kong Fat, Brian

Independent non-executive directors:

Dr. Jin Lizuo

Dr. Huan Guocang

Dr. Wang Jianping

Prof. Nie Yongfeng

Mr. Cheung Ming

CHANGES IN DIRECTORS' INFORMATION

On 18 August 2021, Mr. Ke Jian resigned as the Chief Executive Officer of the Company.

Save as disclosed above, since the date of the Company's 2020 annual report, there has been no material change in the directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

At 30 June 2021, no director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the transactions with its fellow subsidiaries, further details of which are set out in note 20(a) to the interim condensed consolidated financial information, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transaction, arrangement or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the six months ended 30 June 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2021 and up to the date of this report, Mr. Ke Jian and Ms. Sha Ning are vice presidents of BEHL, which is also involved in the solid waste treatment business. Mr. Ke Jian and Ms. Sha Ning are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

DISCLOSEABLE INFORMATION (CONTINUED)

DIRECTORS' INTERESTS IN COMPETING BUSINESS (CONTINUED)

Notwithstanding the fact that the Company and BEHL are both engaged in the solid waste treatment business, the Company considers that there has not been competition between the Company and BEHL in view of the following factors:

- (a) clear geographical delineation among solid waste treatment projects;
- (b) no competition in relation to the supply of solid waste and sale of electricity;
- (c) independent management team; and
- (d) a deed of non-competition has been provided by BEHL in favour of the Company in order to completely avoid any competition between the Company and BEHL.

As the board of directors of the Company is independent from the board of directors of BEHL, and the above directors do not control the board of directors of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of BEHL.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2021, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's total number of issued shares
	Directly beneficially owned	Through a controlled corporation	Total	
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755 [#]	10,392,755	0.69

[#] The 8,792,755 ordinary shares are held by Sunbird Holdings Limited, a company controlled by Mr. Ng Kong Fat, Brian and his associate.

Long positions in share options of the Company:

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

Save as disclosed above, as at 30 June 2021, none of the directors and chief executive had registered an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSEABLE INFORMATION (CONTINUED)

SHARE OPTION SCHEME

The share option scheme operated by the Company was terminated and the following table disclosed the movement in the Company's share options outstanding during the six months ended 30 June 2021:

Name or category of participant	Number of share options outstanding at 1 January 2021	Forfeited/ Lapsed	Number of share options outstanding at 30 June 2021
Executive director:			
Mr. Ng Kong Fat, Brian	5,500,000	(5,500,000)	–
Independent non-executive directors:			
Dr. Jin Lizuo	670,000	(670,000)	–
Dr. Huan Guocang	670,000	(670,000)	–
Dr. Wang Jianping	670,000	(670,000)	–
Other non-director participants:			
In aggregate	30,110,000	(30,110,000)	–
	37,620,000	(37,620,000)	–

The share options outstanding at 1 January 2021 were granted on 21 June 2011 at an exercise price of HK\$1.25 per ordinary share of the Company and may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021.

6,770,000 share options were forfeited on 3 January 2021 upon the expiry of the 12-month post-retirement exercisable period of a former executive director of the Company.

The remaining 30,850,000 share options were lapsed on 20 June 2021 upon the expiry of the 10-year exercisable period.

Save as disclosed above, at no time during the six months ended 30 June 2021 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CONTRACT OF SIGNIFICANCE

Save as the transactions with its fellow subsidiaries, further details of which are set out in note 20(a) to the interim condensed consolidated financial information, no contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director had a material interest, whether directly or indirectly, subsisted during the six months ended 30 June 2021 or at 30 June 2021.

DISCLOSEABLE INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2021, the following interests and short positions of 5% or more of share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Notes	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's share capital
		Directly beneficially owned	Through controlled corporations	Total	
ldata		738,675,000	–	738,675,000	49.23
BEHL	(a)	17,445,000	738,675,000	756,120,000	50.40
Beijing Enterprises Group (BVI) Company Limited ("BEBVI")	(b)	–	756,120,000	756,120,000	50.40
BEGCL	(b)	–	756,120,000	756,120,000	50.40
Cosmos Friendship Limited ("Cosmos")		347,000,000	–	347,000,000	23.13
Khazanah Nasional Berhad ("Khazanah")	(c)	–	347,000,000	347,000,000	23.13

Notes:

- The interest disclosed includes the ordinary shares owned by ldata. ldata is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the ordinary shares owned by ldata.
- The interests disclosed include the ordinary shares owned by BEHL and ldata. BEBVI and BEGCL are the immediate holding company and the ultimate holding company of BEHL, respectively. Accordingly, each of BEBVI and BEGCL is deemed to be interested in the ordinary shares owned by each of BEHL and ldata.
- The interest disclosed includes the ordinary shares owned by Cosmos. Cosmos is a wholly-owned subsidiary of Khazanah. Accordingly, Khazanah is deemed to be interested in the ordinary shares owned by Cosmos.

Save as disclosed above, as at 30 June 2021, no person, other than the directors, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 six months ended 30 June 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, save as disclosed below, the Company has complied with all the applicable code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2021.

- (1) 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.
- (2) 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. Mr. Ke Jian assumes the positions of chairman of the Board and Chief Executive Officer. 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.
- (3) 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.
- (4) 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 of the Company 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.
- (5) 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 of the Company were unable to attend the 2021 annual general meeting of the Company due to other business engagements.
- (6) Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration and nomination committees to attend. However, the chairman of the board and the chairmen of the board committees were unable to attend the 2021 annual general meeting of the Company due to other business engagements.

CORPORATE GOVERNANCE (CONTINUED)

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 of the Company. All the directors of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in accordance with Rule 3.21 of the Listing Rules and Code Provision C.3. The current members of the Audit Committee comprise three independent non-executive directors, namely Dr. Huan Guocang (committee chairman), Dr. Jin Lizuo and Dr. Wang Jianping.

The Audit Committee has reviewed the interim results, financial positions, risk management, internal control, impacts of the new accounting standards and management issues of the Group during the six months ended 30 June 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The board of directors has overall responsibility for the Group's risk management and internal control systems and for reviewing their effectiveness. The Board will conduct regular review regarding internal control systems of the Group. The Company convened meeting periodically to discuss financial, operational and risk management control. During the six months ended 30 June 2021, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.