



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

(Stock Code 154)

Interim
Report **2019**



CONTENTS

Corporate Information	2
Corporate Structure	3
Management Discussion and Analysis	4
Interim Condensed Consolidated Financial Information	
Interim Condensed Consolidated Statement of Profit or Loss	12
Interim Condensed Consolidated Statement of Comprehensive Income	13
Interim Condensed Consolidated Statement of Financial Position	14
Interim Condensed Consolidated Statement of Changes in Equity	16
Interim Condensed Consolidated Statement of Cash Flows	17
Notes to Interim Condensed Consolidated Financial Information	19
Discloseable Information	45
Corporate Governance	51

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors:

Mr. E Meng (*Chairman*)

Mr. Ke Jian (*Vice Chairman and Chief Executive Officer*)

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*)

Mr. E Meng

Dr. Huan Guocang

Dr. Wang Jianping

NOMINATION COMMITTEE

Mr. E Meng (*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

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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

AUDITORS

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

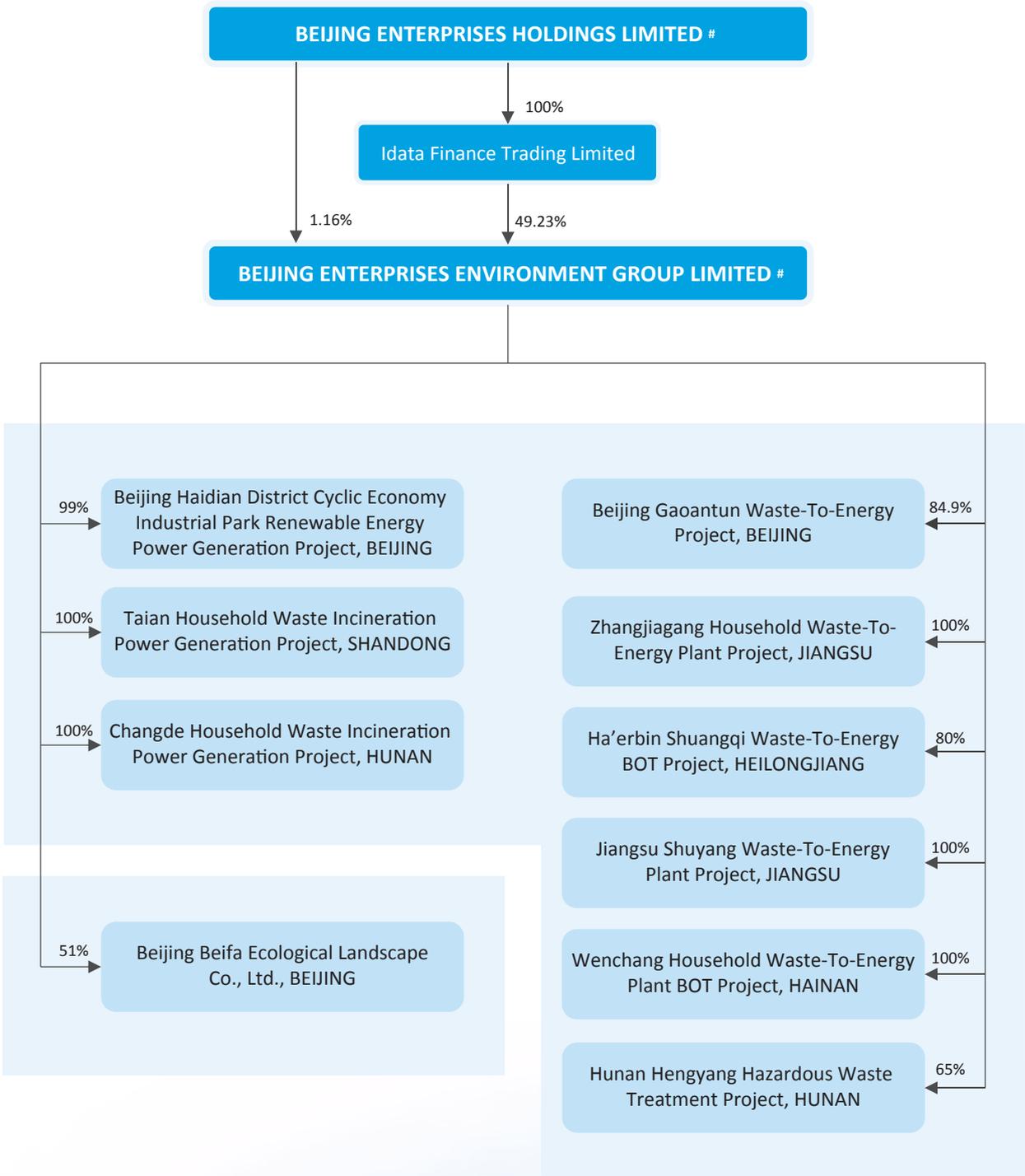
China Minsheng Bank

Huaxia Bank

Industrial Bank

CORPORATE STRUCTURE

29 August 2019



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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the environmental protection business with the solid waste treatment as its core business. Currently, the Group is investing and operating nine solid waste treatment projects in China, including eight household waste incineration power generation projects with total waste treatment capacity increased to 10,225 tonnes/day, and one hazardous and medical waste treatment project with waste treatment capacity of 35,000 tonnes/year.

Project Name	Region	Business Model	Waste treatment capacity
Household waste incineration power generation projects:			
Haidian Project (北京市海澱區循環經濟產業園再生能源發電廠項目)	Beijing	BOT	2,100 tonnes/day
Gaoantun Project (北京高安屯垃圾焚燒項目)	Beijing	BOT	1,600 tonnes/day
Ha'erbin Project (哈爾濱雙琦垃圾焚燒發電項目)	Heilongjiang	BOT	1,600 tonnes/day
Changde Project (常德市生活垃圾焚燒發電項目)	Hunan	BOT	1,400 tonnes/day
Taian Project (泰安生活垃圾焚燒發電項目)	Shandong	BOO	1,200 tonnes/day
Shuyang Project (江蘇省沭陽縣垃圾焚燒發電項目)	Jiangsu	BOT	1,200 tonnes/day
Zhangjiagang Project (張家港市生活垃圾焚燒發電廠項目)	Jiangsu	BOO	900 tonnes/day
Wenchang Project (文昌市生活垃圾焚燒發電廠項目)	Hainan	BOT	225 tonnes/day
Hazardous and medical waste treatment project:			
Hengxing Project (湖南省衡陽危險廢物處置中心項目)	Hunan	BOT	35,000 tonnes/year

The Haidian Project officially entered the commercial operation stage in late August last year. The Phase II technological improvement and expansion of Hunan Changde Project, the Phase II expansion of Shandong Taian Project, and Phase II expansion of Jiangsu Shuyang Project have also been put into trial operation one after another to improve the Group's household waste incineration power generation treatment capacity, laying the foundation for sustainable operating revenue. During the business review period, the Group has invested approximately HK\$40 million in the technological improvement and expansion works for its projects to encounter the new environmental and emission standards.

During the six months ended 30 June 2019, the total household waste treatment volume of the Group was 1,797,900 tonnes (average 9,933 tonnes/day), increased by 4.1% as compared with 1,727,500 tonnes in the corresponding period of last year. The hazardous and medical waste treatment volume was 4,867 tonnes. The leachate treatment volume was 135,900 tonnes, and the sludge treatment volume was 41,100 tonnes. The food waste treatment volume was 19,300 tonnes. Total electricity generating volume was 601.27 million kWh, up by 10.7% as compared with 543.11 million kWh in the corresponding period of last year. Total on-grid electricity volume was 486.38 million kWh, increased by 10.1% as compared with 441.58 million kWh in the corresponding period of last year. Total steam supply was 69,500 tonnes.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the six months ended 30 June 2019, total revenue from the solid waste treatment segment was HK\$551 million, up by 0.9% year-on-year, of which operating revenue was HK\$521 million, up by 36.2% year-on-year, revenue from construction work was HK\$30 million, down by 81.7% year-on-year; and gross profit was HK\$198 million, up by 22.7% year-on-year. EBITDA was HK\$266 million, up by 18.9% year-on-year. Net profit after tax was HK\$154 million, up by 17.3% year-on-year.

During the period, Beijing Beifa Ecological Landscape Co., Ltd. (北京北發生態園林有限公司) (“Beifa Landscape”), a company acquired by the Group at the end of June last year, had entered into new construction contracts of approximately HK\$200 million, with total revenue of HK\$115 million, gross profit of HK\$22 million and net profit after tax of HK\$6.76 million.

BUSINESS PROSPECT

Ha’erbin Project is the most far north waste incineration project in Mainland China. Its operating results were underperforming due to the extreme cold weather in winter and left-behind construction problems during the project construction period. On the one hand, the Group is actively exploring the options for technological improvement; on the other, we will further evaluate the long-term benefits generated by this project for the Group, review the development direction and plan of the project, and make adjustment to the Group’s resources allocation.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue and gross profit margin

During the six months ended 30 June 2019, the Group recorded revenue of HK\$666.24 million, increased by 22% as compared with the corresponding period in last year of HK\$546.69 million. The revenue derived from the solid waste treatment and the sale of electricity and steam amounted to HK\$521.44 million, increased by 36% as compared with last corresponding period of HK\$382.86 million. The revenue derived from the construction and related services amounted to HK\$30.01 million, decreased by 82% as compared with last corresponding period of HK\$163.83 million. The revenue derived from the new business segment of landscaping services amounted to HK\$114.79 million.

The Group's gross profit amounted to HK\$220.40 million, increased by 36% as compared with last corresponding period of HK\$161.49 million. The overall gross profit margin increased from 29.5% to 33.1%.

	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	
	2019 HK\$ million	2018 HK\$ million	2019 HK\$ million	2018 HK\$ million	2019 %	2018 %
Household waste treatment	151.04	97.98				
Other solid waste treatment	49.27	42.24				
Sale of electricity and steam	321.13	242.64				
	521.44	382.86	197.32	109.98	37.8	28.7
Construction and related services	30.01	163.83	0.76	51.51	2.5	31.4
Landscaping services	114.79	-	22.32	-	19.4	-
	666.24	546.69	220.40	161.49	33.1	29.5

Other income and gain

The Group recorded other income and gain of HK\$36.97 million during the six months ended 30 June 2019, decreased by HK\$27.51 million as compared with last corresponding period of HK\$64.48 million. The other income for the period mainly comprised value added tax refund of HK\$26.54 million (2018: HK\$37.42 million) and interest income of HK\$6.31 million (2018: HK\$6.24 million). In addition, a provisional gain on bargain purchase of Beifa Landscape of HK\$14.41 million was recognised in last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling and distribution expenses

The Group's selling and distribution expenses for the six months ended 30 June 2019 increased by HK\$0.44 million to HK\$1.22 million.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2019 increased by 29% or HK\$15.08 million to HK\$66.81 million, which was mainly due to the administrative expenses incurred by the new business segment of landscaping services of HK\$13.63 million during the period.

Other operating expenses, net

The Group incurred other operating expenses, net of HK\$2.72 million during the six months ended 30 June 2019, decreased by HK\$2.00 million as compared with last corresponding period of HK\$4.72 million. The other operating expenses for the period mainly comprised net foreign exchange loss of HK\$1.08 million (2018: HK\$3.47 million).

Finance costs

The Group's finance costs for the six months ended 30 June 2019 increased by 19% or HK\$5.74 million to HK\$35.81 million, which mainly comprised interests on bank loans of HK\$5.60 million (2018: HK\$0.46 million), interests on borrowings from 北京控股集團財務有限公司 ("BG Finance"), a fellow subsidiary of the Company, of HK\$16.63 million (2018: HK\$18.95 million) and imputed interest on convertible bonds issued to Idata Finance Trading Limited ("Idata"), the immediate holding company of the Company, of HK\$14.55 million (2018: HK\$14.92 million). Interests on other borrowings of HK\$2.31 million (2018: HK\$4.26 million) incurred for expansion construction have been capitalised during the period.

Income tax

The Group's income tax expense for the six months ended 30 June 2019 amounted to HK\$14.19 million, decreased by 13% or HK\$2.19 million as compared with last corresponding period of HK\$16.38 million. Certain subsidiaries of the Group in Mainland China are (i) exempted from corporate income tax for three years starting from the first year they generate revenue and are granted by a 50% tax reduction for the ensuring three years; and (ii) qualified for the high-tech enterprises corporate income tax rate reduction. The Group's effective tax rate for the period was 9.4% (2018: 11.8%).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EBITDA and profit for the period

EBITDA for the six months ended 30 June 2019 was HK\$273.15 million, increased by 18% or HK\$41.62 million as compared with last corresponding period of HK\$231.53 million.

Profit for the period amounted to HK\$136.63 million, increased by 12% or HK\$14.23 million as compared with last corresponding period of HK\$122.40 million. Profit for the period attributable to members of the Company amounted to HK\$130.56 million, increased by 14% or HK\$15.56 million as compared with last corresponding period of HK\$115.00 million.

	EBITDA		Profit for the period		Profit for the period attributable to members of the Company	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2019 HK\$ million	2018 HK\$ million	2019 HK\$ million	2018 HK\$ million	2019 HK\$ million	2018 HK\$ million
Solid waste treatment segment	265.94	223.71	154.08	131.32	151.29	123.91
Landscaping segment	13.56	14.37*	6.76	14.37*	3.44	14.37*
Corporate and others segment	(6.35)	(6.55)	(24.21)	(23.29)	(24.17)	(23.28)
	273.15	231.53	136.63	122.40	130.56	115.00

* Included the provisional gain on bargain purchase of Beifa Landscape of HK\$14.41 million.

FINANCIAL POSITION

Except for the expansion construction and technical modifications on certain existing household waste treatment plants, the Group had made no material investment, acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2019.

Total assets and liabilities

As at 30 June 2019, the Group had total assets and total liabilities amounted to HK\$8,916 million and HK\$5,843 million, respectively, decreased by HK\$120 million and HK\$238 million as compared with those as at 31 December 2018, respectively.

Property, plant and equipment

The increase in cost of the Group's property, plant and equipment by HK\$58 million was mainly attributable to the expansion construction work of Taian Project of HK\$32 million and landscaping services of HK\$22 million.

Goodwill

The Group acquired certain companies relating to solid waste treatment projects in April 2014 and October 2016 and an aggregate goodwill of HK\$1,123 million arose from these acquisitions. The Company will appoint an independent professional valuer to assess the goodwill impairment testing as at the financial year end.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Right-of-use assets

The Group initially adopted HKFRS 16 effective from 1 January 2019 and right-of-use assets and lease liabilities (included within “other payables and accruals”) of HK\$85 million and HK\$38 million, respectively, are recognised as at the end of the reporting period.

Operating concessions

The Group’s operating concessions are recognised from six solid waste treatment plants operated under Build-Operate-Transfer (“BOT”) arrangements. During the period, construction expenditure of HK\$4 million has been incurred and HK\$52 million has been amortised in the statement of profit or loss.

Other intangible assets

The Group’s other intangible assets mainly comprised the operating rights of two household waste treatment plants operated under Build-Own-Operate (“BOO”) arrangements. During the period, HK\$3 million has been amortised in the statement of profit or loss.

Receivables under service concession arrangements

The Group’s receivables under service concession arrangements are recognised from five household waste treatment plants operated under BOT arrangements with guaranteed waste treatment revenue, and was decreased by HK\$35 million during the period.

Inventories

The Group’s inventories of HK\$37 million mainly represented coal and consumables for the solid waste treatment plants.

Trade and bills receivables

The Group’s trade and bills receivable increased by HK\$99 million to HK\$300 million, which was mainly attributable to Haidian Project, which commenced commercial operation during the second half of 2018, of HK\$43 million. 62% of the total trade and bills receivables have invoice date within 3 months and only 8% of the total trade and bills receivables have invoice date over 1 year.

Prepayments, other receivables and other assets

The Group’s prepayments, other receivables and other assets comprised prepayments of HK\$64 million, value added tax refund and other taxes recoverable of HK\$47 million, balances due from non-controlling equity holders of HK\$45 million, deposits and other receivables of HK\$41 million.

Bank and other borrowings

The Group’s bank and other borrowings were all denominated in RMB. During the period, the Group repaid RMB74 million and further advanced for RMB117 million. As at the end of the reporting period, the Group has bank and other borrowings amounted to RMB887 million, of which RMB188 million from a commercial bank, RMB660 million from BG Finance and RMB39 million from other parties of Beifa Landscape. The weighted average interest rate of the Group’s bank and other borrowings was 4.8% per annum.

Convertible bonds

The Group’s convertible bonds were issued to Idata with principal amount of HK\$2,202 million and share conversion price of HK\$1.13, which are non-interest-bearing and will mature in October 2021. For accounting purpose, the outstanding convertible bonds were bifurcated into liability component of HK\$2,132 million and equity component of HK\$147 million as at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Deferred income

The Group's deferred income of HK\$156 million represented PRC government grants and subsidies on solid waste treatment business.

Trade payables

The Group's trade payables decreased by HK\$28 million to HK\$440 million during the period.

Other payables and accruals

During the period, the Company repaid HK\$300 million to Idata. Included in the Group's other payables and accruals (i) an amount due to Idata of HK\$491 million (31 December 2018: HK\$791 million) and (ii) amounts due to fellow subsidiaries of RMB914 million (31 December 2018: RMB920 million), which are unsecured and non-interest-bearing.

Liquidity and financial resources

The Group adopts conservative treasury policies in cash management. As at 30 June 2019, the Group had cash and cash equivalents amounted to HK\$1,348 million (approximately 54% of which were denominated in Renminbi and 46% of which were denominated in Hong Kong dollars and United States dollars); bank and other borrowings amounted to RMB887 million; non-interest-bearing amounts due to Idata and certain fellow subsidiaries of the Company amounted to HK\$491 million and RMB914 million, respectively; and outstanding non-interest-bearing convertible bonds issued to Idata in the principal amount of HK\$2,202 million (which will mature in October 2021).

As at 31 December 2018, Beijing Enterprises Holdings Limited ("BEHL"), the intermediate holding company of the Company, has undertaken not to demand of the amounts due by the Group to Idata and a fellow subsidiary of the Company of HK\$1,704,242,000 until such time when the Group is in a position to repay without impairing its liquidity and financial position. During the six months ended 30 June 2019, the Company repaid HK\$300,000,000 to Idata.

As at 30 June 2019, the Group's current liabilities of HK\$2,434 million exceeded its current assets of HK\$2,067 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

	For the six months ended 30 June	
	2019	2018
Gross profit margin	33.1%	29.5%
Operating profit margin	28.0%	30.9%
Net profit margin	20.5%	22.4%
Return on average equity	4.8%	4.4%
	30 June 2019	31 December 2018
Current ratio (times)	0.85	0.80
Debt ratio (total liabilities/total assets)	65.5%	67.3%
Net gearing ratio (net debt/total equity)	58.3%	49.8%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital expenditure and commitment

During the six months ended 30 June 2019, the Group's total capital expenditures amounted to HK\$49 million, of which HK\$40 million was spent on construction and modification of waste treatment plants and HK\$9 million was spent on purchase of items of plant and equipment and other intangible assets. As at 30 June 2019, the Group has capital commitment for service concession arrangements amounted to HK\$64 million.

Charges on the Group's assets

As at 30 June 2019, save as (i) the Group's land and buildings with a net carrying amount of HK\$47 million, the Group's right-of-use assets of HK\$21 million and the Group's trade receivables arising from the provision of solid waste treatment service with an aggregate net carrying amount of HK\$44 million are pledged for the Group's bank loans, and (ii) the Group's bank deposits of HK\$12 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 six months ended 30 June 2019, the losses arising on settlement or translation of monetary items of HK\$1.08 million (2018: losses of HK\$3.47 million) are taken to the statement of profit or loss and the losses arising on retranslation of foreign operations of HK\$18.22 million (2018: gains of HK\$1.23 million) are recognised in the exchange fluctuation reserve. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

Contingent liabilities

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

Save as disclosed above, as at 30 June 2019, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 1,140 employees (31 December 2018: 1,171). Total staff cost for the six months ended 30 June 2019 amounted to HK\$115.36 million, increased by 33% as compared with HK\$86.43 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.

No share option was granted, exercised, lapsed or forfeited during the period under review. The Company has 37,620,000 share options outstanding as at 30 June 2019, which were granted on 21 June 2011 at an exercise price of HK\$1.25 per share and represented approximately 2.5% of the Company's ordinary shares in issue as at 30 June 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
REVENUE	4	666,239	546,687
Cost of sales		(445,834)	(385,198)
Gross profit		220,405	161,489
Other income and gain	4	36,967	64,478
Selling and distribution expenses		(1,223)	(788)
Administrative expenses		(66,808)	(51,727)
Other operating expenses, net		(2,723)	(4,716)
PROFIT FROM OPERATING ACTIVITIES	5	186,618	168,736
Finance costs	6	(35,805)	(30,062)
Share of profit of a joint venture		–	106
PROFIT BEFORE TAX		150,813	138,780
Income tax	7	(14,188)	(16,382)
PROFIT FOR THE PERIOD		136,625	122,398
ATTRIBUTABLE TO:			
Members of the Company		130,555	115,002
Non-controlling interests		6,070	7,396
		136,625	122,398
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY			
– Basic (HK cents)	9	8.70	7.66
– Diluted (HK cents)		4.21	3.53

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	136,625	122,398
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	(19,290)	1,321
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	117,335	123,719
ATTRIBUTABLE TO:		
Members of the Company	112,338	116,234
Non-controlling interests	4,997	7,485
	117,335	123,719

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		1,079,654	1,053,774
Investment property		47,727	47,945
Right-of-use assets		85,081	–
Prepaid land lease payments		–	47,957
Goodwill		1,122,551	1,122,551
Operating concessions		2,355,067	2,413,047
Other intangible assets		116,990	119,888
Investment in a joint venture		6,652	6,652
Receivables under service concession arrangements	10	2,018,589	2,022,977
Prepayments, other receivables and other assets	12	365	1,320
Deferred tax assets		16,354	17,748
Total non-current assets		6,849,030	6,853,859
Current assets:			
Prepaid land lease payments		–	1,165
Inventories		36,636	30,249
Receivables under service concession arrangements	10	62,578	93,349
Trade and bills receivables	11	299,941	201,191
Contract assets		111,999	69,452
Prepayments, other receivables and other assets	12	196,213	164,842
Pledged deposits		11,964	11,462
Cash and cash equivalents		1,347,604	1,610,717
Total current assets		2,066,935	2,182,427
TOTAL ASSETS		8,915,965	9,036,286

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2019

	Notes	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to members of the Company			
Share capital	13	2,227,564	2,227,564
Equity component of convertible bonds	14	147,029	147,029
Other reserves		393,179	280,841
		2,767,772	2,655,434
Non-controlling interests		304,842	299,845
TOTAL EQUITY		3,072,614	2,955,279
Non-current liabilities:			
Bank and other borrowings	15	828,988	789,509
Convertible bonds	14	2,132,271	2,117,717
Provision for major overhauls		6,569	6,026
Other payables	17	23,502	-
Deferred income		155,572	160,145
Deferred tax liabilities		261,991	263,818
Total non-current liabilities		3,408,893	3,337,215
Current liabilities:			
Trade payables	16	440,353	468,741
Other payables and accruals	17	1,755,386	2,033,644
Bank and other borrowings	15	179,091	174,315
Tax payables		59,628	67,092
Total current liabilities		2,434,458	2,743,792
TOTAL LIABILITIES		5,843,351	6,081,007
TOTAL EQUITY AND LIABILITIES		8,915,965	9,036,286

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to members of the Company									
	Share capital	Equity component of convertible bonds	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 2019	2,227,564	147,029	20,789*	12,180*	(154,468)*	18,764*	383,576*	2,655,434	299,845	2,955,279
Profit for the period	-	-	-	-	-	-	130,555	130,555	6,070	136,625
Other comprehensive loss for the period:										
Exchange fluctuation reserve:										
Translation of foreign operations	-	-	-	-	(18,217)	-	-	(18,217)	(1,073)	(19,290)
Total comprehensive income for the period	-	-	-	-	(18,217)	-	130,555	112,338	4,997	117,335
Transfer to PRC reserve funds	-	-	-	-	-	6,332	(6,332)	-	-	-
At 30 June 2019	2,227,564	147,029	20,789*	12,180*	(172,685)*	25,096*	507,799*	2,767,772	304,842	3,072,614
At 1 January 2018	2,227,564	158,687	20,789	12,180	8,307	11,552	114,122	2,553,201	248,892	2,802,093
Profit for the period	-	-	-	-	-	-	115,002	115,002	7,396	122,398
Other comprehensive income for the period:										
Exchange fluctuation reserve:										
Translation of foreign operations	-	-	-	-	1,232	-	-	1,232	89	1,321
Total comprehensive income for the period	-	-	-	-	1,232	-	115,002	116,234	7,485	123,719
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	47,010	47,010
Transfer of equity component of convertible bonds upon maturity (note 14)	-	(11,658)	-	-	-	-	11,658	-	-	-
Transfer to PRC reserve funds	-	-	-	-	-	6,470	(6,470)	-	-	-
At 30 June 2018	2,227,564	147,029	20,789	12,180	9,539	18,022	234,312	2,669,435	303,387	2,972,822

* These reserve accounts comprise the consolidated other reserves of HK\$393,179,000 (31 December 2018: HK\$280,841,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	69,186	195,988
Mainland China income tax paid	(19,501)	(34,566)
Net cash flows from operating activities	49,685	161,422
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(45,081)	(117,225)
Additions of operating concessions	(3,900)	(79,458)
Acquisition of a subsidiary	–	25,749
Decrease in time deposits with maturity of more than three months when acquired	–	7,310
Decrease/(increase) in pledged deposits	(567)	1,652
Interest received	6,311	4,634
Other cash flows from investing activities, net	4,705	3,127
Net cash flows used in investing activities	(38,532)	(154,211)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	98,638	135,060
Repayment of bank loans	(11,628)	(8,095)
New other loans	37,174	29,762
Repayment of other loans	(74,419)	(50,595)
Repayment of amount due to the immediate holding company	(300,000)	–
Interest paid	(22,225)	(19,408)
Net cash flows from/(used in) financing activities	(272,460)	86,724
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	1,610,717	1,954,996
Effect of foreign exchange rate changes, net	(1,806)	8,245
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,347,604	2,057,176

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits		
Placed in banks	823,292	1,061,680
Placed in a financial institution	65,680	55,420
Time deposits	470,596	958,036
Less: Pledged deposits	(11,964)	(11,915)
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	1,347,604	2,063,221
Less: Time deposits with maturity of more than three months when acquired	–	(6,045)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	1,347,604	2,057,176

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The 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 2018.

In preparing the 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 2019. Taking into account the Group's internal resources and undertaking from the immediate holding company and a fellow subsidiary not to demand repayment of the amounts due by the Group to them until such time when the Group is in a position to repay without impairing its liquidity and financial position, the directors of the Company considered that the Group will be able to operate on a going concern basis. Accordingly, the interim condensed consolidated financial information has been prepared on a going concern basis.

The financial information relating to the year ended 31 December 2018 that is included in the interim condensed consolidated statement of financial position 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 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditor has reported on the consolidated financial statements of the Company for the year ended 31 December 2018. 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 2019

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 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards have had no significant financial effect on the Group's interim condensed consolidated financial information. The nature and impact of the changes are described below:

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

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables and accruals.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

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

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

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	(Unaudited) HK\$'000
Assets	
Increase in right-of-use assets	93,319
Decrease in prepaid land lease payments	(49,122)
Decrease in prepayments, other receivables and other assets	(1,418)
<hr/>	
Increase in total assets	42,779
<hr/>	
Liabilities	
Increase in other payables and accruals	42,779
<hr/>	
Increase in total liabilities	42,779
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

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

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

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon the adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Summary of new accounting policies (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "other payables and accruals"), and the movement during the period are as follow:

	Right-of-use assets			Lease liabilities (Unaudited) HK\$'000
	Land and buildings (Unaudited) HK\$'000	Prepaid land lease payments (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	
As at 1 January 2019	44,197	49,122	93,319	42,779
Depreciation charge	(7,402)	(593)	(7,995)	–
Interest expense	–	–	–	1,149
Payments	–	–	–	(5,764)
Exchange realignment	(33)	(210)	(243)	(90)
As at 30 June 2019	36,762	48,319	85,081	38,074

The Group recognised rental expenses from short-term leases of HK\$1,475,000 and leases of low-value assets of HK\$277,000 for the six months ended 30 June 2019.

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

For the six months ended 30 June 2019

3. OPERATING SEGMENT INFORMATION

During the six months ended 30 June 2019, upon the development of the landscaping services business, it became a reportable operating segment.

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 landscaping services segment comprises the construction, design, project survey and design and construction project management; and
- (c) the corporate and others segment comprises property investment and corporate income and expense items.

The 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 2019

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The following table presents the revenue and profit/(loss) information of the Group's operating segments for the six months ended 30 June 2019 and 2018 and the asset and liability information of the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively.

	Solid waste treatment (Unaudited) HK\$'000	Landscaping services (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2019				
Segment revenue	551,452	114,787	–	666,239
Cost of sales	(353,369)	(92,465)	–	(445,834)
Gross profit	198,083	22,322	–	220,405
Profit/(loss) from operating activities	186,823	8,861	(9,066)	186,618
Finance costs	(20,276)	(747)	(14,782)	(35,805)
Profit/(loss) before tax	166,547	8,114	(23,848)	150,813
Income tax	(12,465)	(1,357)	(366)	(14,188)
Profit/(loss) for the period	154,082	6,757	(24,214)	136,625
Segment profit/(loss) attributable to members of the Company	151,285	3,441	(24,171)	130,555
At 30 June 2019				
Segment assets	8,072,259	343,483	500,223	8,915,965
Segment liabilities	2,965,374	262,902	2,615,075	5,843,351

During the six months ended 30 June 2019, the Group acquired property, plant and equipment and operating concessions with a total cost of HK\$48,981,000 (30 June 2018: HK\$123,298,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

3. OPERATING SEGMENT INFORMATION (CONTINUED)

	Solid waste treatment (Unaudited) HK\$'000	Landscaping services (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2018 (restated)				
Segment revenue	546,687	–	–	546,687
Cost of sales	(385,198)	–	–	(385,198)
Gross profit	161,489	–	–	161,489
Profit/(loss) from operating activities	161,669	(40)	(7,299)	154,330
Provisional gain on bargain purchase of a subsidiary	–	14,406	–	14,406
Finance costs	(15,144)	–	(14,918)	(30,062)
Share of profit of a joint venture	106	–	–	106
Profit/(loss) before tax	146,631	14,366	(22,217)	138,780
Income tax	(15,313)	–	(1,069)	(16,382)
Profit/(loss) for the period	131,318	14,366	(23,286)	122,398
Segment profit/(loss) attributable to members of the Company	123,913	14,366	(23,277)	115,002
At 31 December 2018 (restated)				
Segment assets	8,074,629	212,865	748,792	9,036,286
Segment liabilities	3,103,092	150,149	2,827,766	6,081,007

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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 financial information.

Information about major customers

During the six months ended 30 June 2019, the Group had transactions with an external customer (six months ended 30 June 2018: two) which accounted for over 10% of the Group's total revenue. The revenue generated from sales to this customer is set out below:

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Customer A	140,735	57,854
Customer B	N/A	98,596 [#]

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

4. REVENUE, OTHER INCOME AND GAIN

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

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue		
Household waste treatment*	151,039	97,977
Hazardous and medical waste treatment	32,660	28,259
Leachate, sludge and other treatments	16,611	13,982
Sale of electricity	305,724	240,580
Sale of steam	15,410	2,059
Construction and related services*	30,008	163,830
Landscaping construction services	93,889	–
Landscaping design services	20,898	–
	666,239	546,687
Other income		
Value added tax refund	26,539	37,418
Interest income	6,311	6,241
Rental income	1,504	1,503
Government grant#	1,544	3,492
Others	1,069	1,418
	36,967	50,072
Gain		
Provisional gain on bargain purchase of a subsidiary	–	14,406
	36,967	64,478

* Imputed interest income under service concession arrangements during the period amounting to HK\$47,174,000 (six months ended 30 June 2018: HK\$46,627,000) was included in the revenue derived from household waste treatment services and construction and related services.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

4. REVENUE, OTHER INCOME AND GAIN (CONTINUED)

Revenue from contracts with customers

Disaggregated revenue information

Segment	Solid waste treatment (Unaudited) HK\$'000	Landscaping services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2019			
Type of goods or services			
Household waste treatment	103,865	–	103,865
Hazardous and medical waste treatment	32,660	–	32,660
Leachate, sludge and other treatments	16,611	–	16,611
Sale of electricity	305,724	–	305,724
Sale of steam	15,410	–	15,410
Construction and related services	30,008	–	30,008
Landscaping construction services	–	93,889	93,889
Landscaping design services	–	20,898	20,898
Total revenue from contracts with customers	504,278	114,787	619,065
Revenue from another source:			
Imputed interest income	47,174	–	47,174
Total revenue	551,452	114,787	666,239
Geographical markets			
Mainland China	477,845	114,787	592,632
Hong Kong	26,433	–	26,433
Total revenue from contracts with customers	504,278	114,787	619,065
Revenue from another source:			
Imputed interest income	47,174	–	47,174
Total revenue	551,452	114,787	666,239
Timing of revenue recognition			
Goods and services transferred at a point of time	500,703	–	500,703
Services transferred over time	3,575	114,787	118,362
Total revenue from contracts with customers	504,278	114,787	619,065
Revenue from another source:			
Imputed interest income	47,174	–	47,174
Total revenue	551,452	114,787	666,239

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

4. REVENUE, OTHER INCOME AND GAIN (CONTINUED)

Revenue from contracts with customers (continued)

Disaggregated revenue information (continued)

Segment	Solid waste treatment (Unaudited) HK\$'000	Landscaping services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2018 (restated)			
Type of goods or services			
Household waste treatment	51,350	–	51,350
Hazardous and medical waste treatment	28,259	–	28,259
Leachate, sludge and other treatments	13,982	–	13,982
Sale of electricity	240,580	–	240,580
Sale of steam	2,059	–	2,059
Construction and related services	163,830	–	163,830
Total revenue from contracts with customers	500,060	–	500,060
Revenue from another source: Imputed interest income	46,627	–	46,627
Total revenue	546,687	–	546,687
Geographical markets			
Mainland China	497,947	–	497,947
Hong Kong	2,113	–	2,113
Total revenue from contracts with customers	500,060	–	500,060
Revenue from another source: Imputed interest income	46,627	–	46,627
Total revenue	546,687	–	546,687
Timing of revenue recognition			
Goods and services transferred at a point of time	356,849	–	356,849
Services transferred over time	143,211	–	143,211
Total revenue from contracts with customers	500,060	–	500,060
Revenue from another source: Imputed interest income	46,627	–	46,627
Total revenue	546,687	–	546,687

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	23,485	19,872
Depreciation of right-of-use assets	7,995	–
Amortisation of prepaid land lease payments*	–	600
Amortisation of operating concessions*	52,096	39,316
Amortisation of other intangible assets*	2,956	2,900
Foreign exchange difference, net	1,079	3,466

* The amortisation of prepaid land lease payments, operating concessions and other intangible assets (excluding computer software amounting to HK\$276,000 (six months ended 30 June 2018: HK\$126,000)) are included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest on bank and other borrowings	22,225	19,408
Imputed interest on convertible bonds (note 14)	14,554	14,918
Imputed interest on lease liabilities	1,149	–
Total interest expenses	37,928	34,326
Less: Interest capitalised	(2,306)	(4,264)
	35,622	30,062
Other finance costs:		
Increase in discounted amounts of provision for major overhauls arising from the passage of time	183	–
	35,805	30,062

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profit arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current – Hong Kong Charge for the period	817	64
Current – Mainland China Charge for the period	12,579	12,878
Under/(over) provision in prior periods	158	(7,526)
	13,554	5,416
Deferred	634	10,966
Total tax charge for the period	14,188	16,382

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 granted a 50% tax reduction for the ensuing three years.

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

9. EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY

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

The calculation of the diluted earnings per share amount is based on the profit for the period 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 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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Earnings		
Profit for the period attributable to members of the Company used in the basic earnings per share calculation	130,555	115,002
Imputed interest on convertible bonds (note 6)	14,554	14,918
	145,109	129,920
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 bonds	1,948,938,053	2,177,114,849
	3,449,298,203	3,677,474,999

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

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:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Unbilled:		
Current portion	62,578	93,349
Non-current portion	2,018,589	2,022,977
	2,081,167	2,116,326

As at 30 June 2019, contract assets which are presented as operating concessions and receivables under service concession arrangements amounted to HK\$150,207,000 (31 December 2018: HK\$394,495,000) and HK\$81,946,000 (31 December 2018: HK\$80,374,000), respectively.

Contract assets are initially recognised for revenue earned from the provision of construction services for the infrastructures 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 relevant provision of solid waste treatment services are rendered. The receivables under service concession arrangement (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 11). The decrease in contract assets as at 30 June 2019 was the result of the completion of a solid waste incineration plant. The Group's trading terms and credit policy with customers are disclosed in note 11 to the interim condensed consolidated financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

11. 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 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within 3 months	186,063	148,724
4 to 6 months	50,839	22,753
7 to 12 months	40,263	10,965
1 to 2 years	18,619	14,784
2 to 3 years	2,820	2,276
Over 3 years	1,337	1,689
	299,941	201,191

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 2019, the trade receivables of HK\$43,960,000 (31 December 2018: HK\$32,506,000) arising from the provision of solid waste treatment service are pledged to secure a bank loan granted to the Group (note 15(b)).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Prepayments	64,168	39,173
Deposits and other receivables	88,215	85,591
Due from fellow subsidiaries	2,647	1,201
Due from non-controlling equity holders	47,276	45,951
	202,306	171,916
Impairment allowance	(5,728)	(5,754)
	196,578	166,162
Current portion	(196,213)	(164,842)
Non-current portion	365	1,320

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

13. SHARE CAPITAL

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Issued and fully paid: 1,500,360,150 (31 December 2018: 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 2019

14. CONVERTIBLE BONDS

A summary of the movements in the principal amount, equity and liability components of the Company's convertible bonds during the six months ended 30 June 2019 is as follows:

	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Principal amount outstanding		
At 1 January	2,202,300	2,993,300
Transfer to an amount due to the immediate holding company	–	(791,000)
At 30 June	2,202,300	2,202,300
Liability component		
At 1 January	2,117,717	2,879,106
Imputed interest expenses (note 6)	14,554	14,918
Transfer to an amount due to the immediate holding company	–	(791,000)
At 30 June	2,132,271	2,103,024
Equity component		
At 1 January	147,029	158,687
Transfer to retained profits upon maturity	–	(11,658)
At 30 June	147,029	147,029

The outstanding convertible bonds were issued to Idata Finance Trading Limited ("Idata"), the immediate holding company of the Company and a wholly-owned subsidiary of Beijing Enterprises Holdings Limited ("BEHL"), as consideration 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. The convertible bonds 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 2019

15. BANK AND OTHER BORROWINGS

	Notes	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Bank loan, secured	(b)	213,953	129,509
Other loans, unsecured			
A fellow subsidiary	(c)	749,693	808,402
Others	(d)	44,433	25,913
		794,126	834,315
Total bank and other borrowings		1,008,079	963,824
Current portion		(179,091)	(174,315)
Non-current portion		828,988	789,509

Notes:

- (a) The Group's bank and other borrowings were all denominated in RMB.
- (b) The Group's secured bank loan bears interest at a floating lending rate of five years or above from the People's Bank of China plus a 10% margin and is secured by the pledge over (i) the Group's land and buildings with a net carrying amount of HK\$47,151,000 (31 December 2018: HK\$48,687,000), (ii) the Group's right-of-use assets of HK\$21,145,000 (31 December 2018: prepaid land lease payments of HK\$21,504,000) and (iii) the Group's trade receivables arising from the provision of solid waste treatment service with an aggregate net carrying amount of HK\$43,960,000 (31 December 2018: HK\$32,506,000) (note 11) and is repayable by instalments up to 2023.
- (c) 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 and an authorised financial institution under China Banking Regulatory Commission, bear interest at discounted floating lending rates of 94% to 100% of one to five years or above from the People's Bank of China and are repayable by instalments up to 2025. Included in other loans from BG Finance of HK\$443,068,000 (31 December 2018: HK\$468,037,000) are guaranteed by a fellow subsidiary of the Company.
- (d) The Group's remaining other loans are repayable on demand and of which HK\$10,114,000 (31 December 2018: HK\$10,160,000) is interest free and HK\$34,319,000 (31 December 2018: HK\$15,753,000) bear interest at floating deposit rates from the People's Bank of China and Industrial Bank.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

16. 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 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Billed:		
Less than 3 months	87,734	204,591
4 to 6 months	40,745	9,846
7 to 12 months	128,062	40,889
Over 1 year	30,213	6,572
	286,754	261,898
Unbilled	153,599	206,843
	440,353	468,741

Included in the trade payables of the Group is an amount of HK\$64,232,000 (31 December 2018: HK\$72,886,000) due to a non-controlling equity holder. 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 to its major suppliers.

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

17. OTHER PAYABLES AND ACCRUALS

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Other payables	106,344	102,799
Contract liabilities	81,061	61,213
Lease liabilities	38,074	–
Accruals	20,355	24,771
Due to the immediate holding company	491,000	791,000
Due to fellow subsidiaries	1,038,556	1,050,236
Due to a joint venture	3,498	3,625
	1,778,888	2,033,644
Total other payables and accruals	1,778,888	2,033,644
Current portion	(1,755,386)	(2,033,644)
	23,502	–
Non-current portion	23,502	–

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

17. OTHER PAYABLES AND ACCRUALS (CONTINUED)

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

The balances with the immediate holding company, the fellow subsidiaries and a joint venture are unsecured, interest-free and repayable on demand. As at 31 December 2018, BEHL has undertaken not to demand of the amounts due by the Group to Idata and a fellow subsidiary of the Company of HK\$1,704,242,000 until such time when the Group is in a position to repay without impairing its liquidity and financial position. During the six months ended 30 June 2019, the Company repaid HK\$300,000,000 to Idata.

18. CONTINGENT LIABILITIES

The final acceptance of the construction of certain waste incineration plants of the Group 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.

19. COMMITMENTS

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Contracted, but not provided for:		
Service concession arrangements on a BOO basis	31,753	45,248
Service concession arrangements on a BOT basis	32,064	46,031
	63,817	91,279

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

20. RELATED PARTY DISCLOSURES

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

	Notes	For the six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Fellow subsidiaries:			
Rental income [#]	(i)	1,485	1,503
Interest income [#]	(ii)	187	150
Interest expense	(iii)	16,629	18,953
Joint venture:			
Consultancy service fee	(iv)	–	1,276

- [#] 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:

- (i) The rental income received from 北京北控宏創科技有限公司, a fellow subsidiary of the Company, 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 31 August 2015 and 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 announcements of the Company dated 1 September 2015 and 25 October 2018.
- (ii) The interest received from BG Finance was mutually agreed between the parties under the deposit services master agreement dated 27 December 2017, 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 2018 to 31 December 2020. 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\$73,800,000. The deposits placed by the Group with BG Finance as at 30 June 2019 amounted to HK\$65,680,000 (31 December 2018: HK\$55,687,000). Further details of the transaction are set out in the announcement of the Company dated 27 December 2017.
- (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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2019

20. RELATED PARTY DISCLOSURES (CONTINUED)

(a) (continued)

Notes: (continued)

- (iv) The consultancy service fee paid to Beijing Enterprises SITA Environmental Services Company Limited, a joint venture of the Group, was based on terms and conditions mutually agreed between the parties.

(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 included in prepayments, other receivables and other assets, trade payables and other payables and accruals as at the end of the reporting period are disclosed in notes 12, 16 and 17 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 15(c) to the financial information, respectively.

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Short term employee benefits	6,768	7,275
Post-employment benefits	343	307
Total compensation paid to key management personnel	7,111	7,582

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

For the six months ended 30 June 2019

20. RELATED PARTY DISCLOSURES *(CONTINUED)*

(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 2019 amounted to HK\$367,523,000 (31 December 2018: HK\$561,365,000) and HK\$6,481,507,000 (31 December 2018: HK\$6,292,494,000), respectively.

22. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated in the preparation of the financial information as a result of the change in reportable segments due to the development of the landscaping services business.

23. 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 29 August 2019.

DISCLOSEABLE INFORMATION

DIRECTORS

The directors of the Company during the six months ended 30 June 2019 and up to the date of this report were:

Executive directors:

Mr. E Meng *(Chairman)*
Mr. Ke Jian *(Vice Chairman and Chief Executive Officer)*
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

Since the issue date of the Company's 2018 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 2019, 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 BEGCL and its subsidiaries, further details of which are set out in note 20 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 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 2019.

DISCLOSEABLE INFORMATION *(CONTINUED)*

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2019 and up to the date of this report, the following directors 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, as set out below:

Mr. E Meng is an executive director and an executive vice president of BEHL and Mr. Ke Jian and Ms. Sha Ning are vice presidents of BEHL, which is also involved in the solid waste treatment business.

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.

DISCLOSEABLE INFORMATION (CONTINUED)

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

At 30 June 2019, 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. E Meng	601,000	–	601,000	0.04
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755 [#]	10,392,755	0.69
	2,201,000	8,792,755	10,993,755	0.73

[#] 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.

Long positions in ordinary shares of an associated corporation – BEHL:

Name of director	Number of ordinary shares directly beneficially owned	Percentage of the associated corporation's share capital
Mr. E Meng	30,000	0.002

Save as disclosed above, as at 30 June 2019, 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

No share options were granted, exercised, lapsed or cancelled under the share option scheme of the Company during the six months ended 30 June 2019. As at 30 June 2019 and the date of this interim report, there were total 37,620,000 share options outstanding under the Scheme, representing approximately 2.5% of the ordinary shares of the Company in issue.

Name or category of participant	Number of share options
Executive directors:	
Mr. E Meng	6,770,000
Mr. Ng Kong Fat, Brian	5,500,000
Independent non-executive directors:	
Dr. Jin Lizuo	670,000
Dr. Huan Guocang	670,000
Dr. Wang Jianping	670,000
Other non-director participants:	
In aggregate	23,340,000
	<hr/>
	37,620,000

The outstanding share options 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.

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 37,620,000 additional ordinary shares of the Company and additional share capital of HK\$67,814,000.

Save as disclosed above, at no time during the six months ended 30 June 2019 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 BEGCL and its subsidiaries, further details of which are set out in note 20 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 of the Company had a material interest, whether directly or indirectly, subsisted during or at the six months ended 30 June 2019.

DISCLOSEABLE INFORMATION (CONTINUED)

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

At 30 June 2019, 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	
Idata		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:

- (a) The interest disclosed includes the ordinary shares owned by Idata. Idata is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the ordinary shares owned by Idata.
- (b) The interests disclosed include the ordinary shares owned by BEHL and Idata. 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 Idata.
- (c) 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 2019, 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.

DISCLOSEABLE INFORMATION *(CONTINUED)*

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 2019.

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 2019.

- (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.2.7, 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.
- (3) 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.
- (4) 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 2019 annual general meeting of the Company due to other business engagements.
- (5) Under Code Provision C.2.5, the issuer should have an internal audit function. During the period under review, the Company has not yet established a formal internal audit department. However, the Company considers the Group's existing risk management and internal control mechanisms are effective to safeguard the Group's assets and the shareholders' investment. In order to cope with the business expansion, a formalised internal audit functional department will be considered to establish in the future.
- (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 2019 annual general meeting of the Company 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 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 2019.

CORPORATE GOVERNANCE *(CONTINUED)*

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 2019.

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 2019, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.