



北控清潔能源集團有限公司
Beijing Enterprises Clean Energy Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 01250

Interim Report

2018

Contents

Corporate Information	2
Group Structure	3
Chairman's Statement	4
Management Discussion and Analysis	8
Condensed Consolidated Statement of Profit or Loss	25
Condensed Consolidated Statement of Comprehensive Income	26
Condensed Consolidated Statement of Financial Position	27
Condensed Consolidated Statement of Changes in Equity	29
Condensed Consolidated Statement of Cash Flows	30
Notes to the Condensed Consolidated Financial Statements	31
Disclosure Information	52
Corporate Governance	64

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Xiaoyong (*Chairman*)
Mr. Shi Xiaobei
Mr. Huang Weihua (*Chief Executive Officer*)
Mr. Wang Ye
Mr. Wen Hui

Independent Non-executive Directors

Mr. Li Fujun
Mr. Xu Honghua
Mr. Chiu Kung Chik

AUDIT COMMITTEE

Mr. Li Fujun (*Chairman*)
Mr. Xu Honghua
Mr. Chiu Kung Chik

NOMINATION COMMITTEE

Mr. Hu Xiaoyong (*Chairman*)
Mr. Li Fujun
Mr. Xu Honghua

REMUNERATION COMMITTEE

Mr. Chiu Kung Chik (*Chairman*)
Mr. Shi Xiaobei
Mr. Xu Honghua

COMPANY SECRETARY

Mr. Liu Kin Wai

STOCK CODE

1250

WEBSITE

www.bece.com.hk

INVESTOR RELATIONS CONTACT

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REGISTERED OFFICE

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Grand Cayman KY1-1108
Cayman Islands

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18 Harbour Road, Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT OFFICE

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

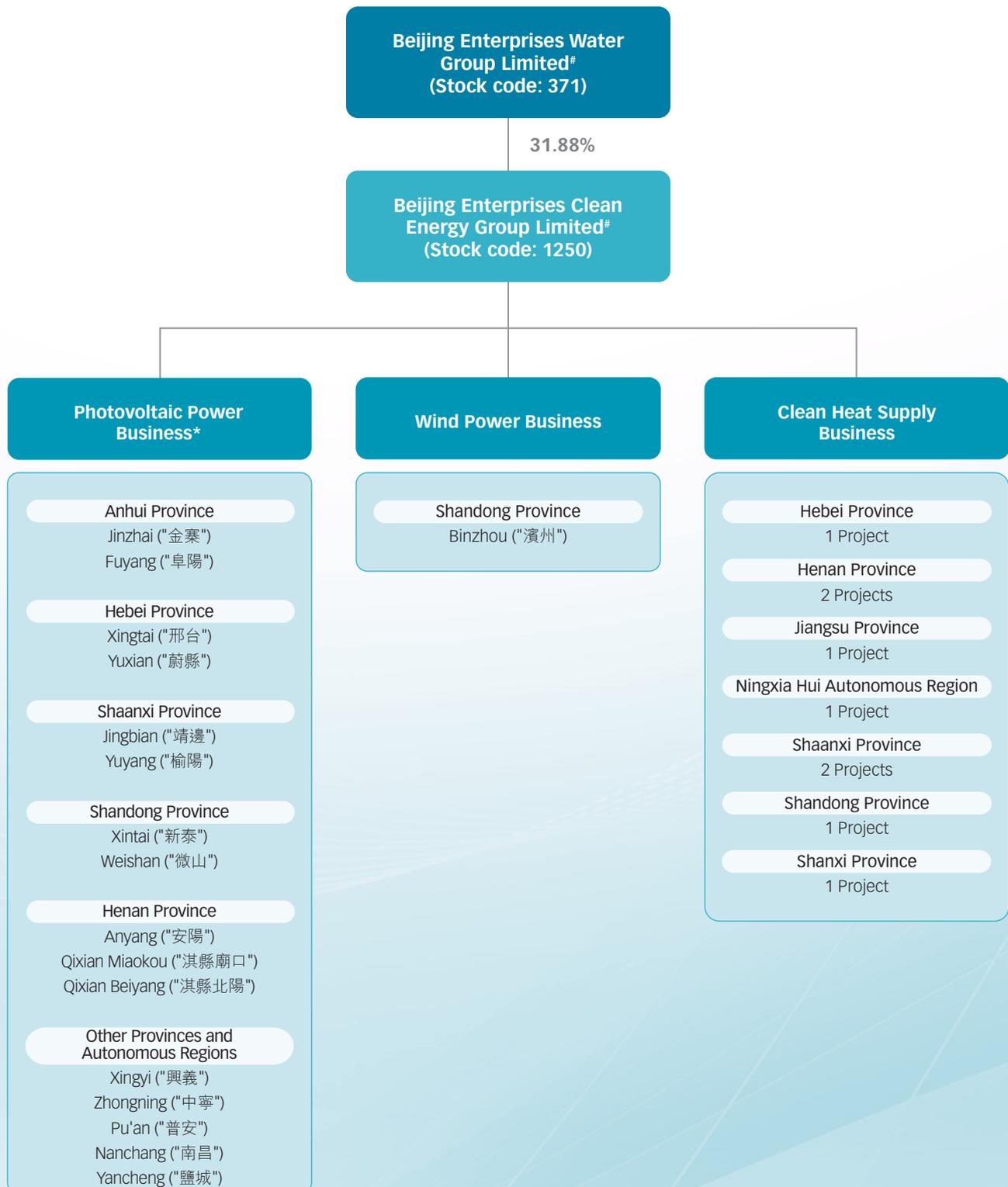
AUDITOR

Ernst & Young

PRINCIPAL BANKERS

In Hong Kong:
DBS Bank Ltd., Hong Kong Branch
Wing Lung Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited

In Mainland China:
Bank of China Limited
China Construction Bank Corporation
China Guangfa Bank Co., Ltd.
Ping An Bank Co., Ltd.



Listed on the main board of The Stock Exchange of Hong Kong Limited.

* Only projects with operating capacity of 50MW or above are disclosed.

Note: The above group structure only lists out major projects in operation and held by the Group's subsidiaries.

Chairman's Statement

Dear Shareholders,

In the first half of 2018, China's gross domestic product growth rate reached 6.8%. The optimisation and enhancement of the economic structure, the increase in new growth drivers and the improvement of the quality and efficiency propel China's economy growing forward from the "high-speed growth phase" to the "high-quality development phase". Amid the steady runs of its economy, certain challenges exist. Economic developments such as the Sino-US trade war and the austerity trend of overall domestic monetary and credit environment will likely increase the difficulties and challenges of China's economy. In respect of the power consumption, it increased rapidly in the first half of 2018. Total social power consumption reached 3,229.1 billion kWh, representing a year-on-year increase of 9.4% and with the growth rate reaching a 6-year high. The power generation structure was further rationalised towards clean and low-carbon. The aggregate newly-installed capacity of nuclear power, wind power and solar power accounted for 66.1% of the total newly-installed capacity. In particular, the newly-installed capacity of photovoltaic power generation reached 24.306 million kilowatts and in the first half of 2018, the photovoltaic power generation volume reached 82.39 billion kWh, representing a year-on-year increase of 59%. For wind power, the new on-grid capacity was 7.94 million kilowatts and in the first half of 2018, the wind power generation volume reached 191.7 billion kWh, representing a year-on-year increase of 28.7%. China sticks to the green development path and deepens the supply-side structural reform, implements the innovation-driven development strategy, accelerates the energy structure adjustment and fosters and strengthens the energy conservation and environmental protection industries, with an aim to further enhance the utilisation level of clean energy, develop the clean energy industry and advocate green and low-carbon lifestyle. Under the lead of technological innovation, the photovoltaic and the wind power generation achieves costs reduction and efficiency enhancement, leading to the continuous decrease in the cost per kWh and enabling the photovoltaic and the wind power generation to play a key role in the clean energy industry. Meanwhile, energy storage, clean heat supply and micro-grid network technologies businesses are making robust progress and are catalysts to the reforms of the energy industry.

Beijing Enterprises Clean Energy Group Limited (the "Company", together with its subsidiaries, the "Group" or "BECE") fully leverages the advantageous resources of its three major shareholders (i.e. Beijing Enterprises Water Group Limited ("BEWG", a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 371)), the private equity funds managed by CITIC Private Equity Funds Management Co., Ltd. and 啟迪控股股份有限公司 (Tus-Holding Co., Ltd.)* as well as the Group's experienced management team, to steadily develop its scale of high quality clean energy assets base and keep on exploring various areas such as energy storage, micro-grid network technologies, geothermal power, distribution and sales of electricity, liquefied natural gas business on the foundation of the existing photovoltaic power business, wind power business and clean heat supply business under the strategic leadership of the board (the "Board") of directors (the "Directors") of the Company, with an aim to become a leading integrated clean energy service provider, and achieved fruitful results.

PERFORMANCE

For the six months ended 30 June 2018 (the "Period"), the Group recorded revenue of HK\$3,897.2 million, which was comparable to the corresponding period of 2017. The profit attributable to the equity holders of the Company was HK\$690.9 million, representing an increase of 10% as compared to the corresponding period of last year. Basic earnings per share for the Period was HK1.09 cents.

PERFORMANCE REVIEW

The Group's photovoltaic power business made a persistent effort on cost reduction, quality improvement and technological innovation, and achieved a stable growth. As at 30 June 2018, by ways of self-development, joint development, acquisitions, etc., the Group's aggregate capacity of the grid-connected, under-construction and to-construct centralised photovoltaic power plants reached over 2,300 megawatt ("MW"). In particular, the aggregate on-grid installed capacity of the centralised ground-mounted photovoltaic power plants held by the Group was approximately 1,967MW, situated mainly in Anhui Province, Shandong Province, Hebei Province and Henan Province, etc., and mainly in resource areas II and III as promulgated by the National Development and Reform Commission of the People's Republic of China (the "NDRC"). In respect of the distributed photovoltaic power business, as at 30 June 2018, the total installed capacity of the distributed photovoltaic power plants held and/or managed by the Group and in operation achieved over 500MW, mainly located in resource area III as promulgated by the NDRC such as Henan Province, Anhui Province, Shandong Province, Jiangsu Province and Hebei Province. In respect of the photovoltaic technological innovation, the Group participated in the "Key Technology Research Program on the Quality Evaluation of New Energy and Ancillary Products*" ("新能源及配套產品質量評價關鍵技術研究"), a national key research and development program under the "13th Five-year Plan", which carries out big data analysis on photovoltaic system operation in respect of the factors affecting the sustainable power generation performance of photovoltaic systems, to evaluate the long-term power generation performance of photovoltaic power plants and carry out fault diagnostic analysis. The Group also participated in the compilation of the international standard of "Overall Requirements for the Design of Flat Single-Axis Tracking Systems*" ("平單軸跟蹤系統設計總體要求"). The standard passed the proposal feasibility study meeting organised by the National Standardisation Technical Committee on Solar Photovoltaic Energy Systems* (全國太陽光伏能源系統標準化技術委員會), and will be going through the domestic declaration procedures and be submitted to the Technical Committee on Solar Photovoltaic Systems of the International Electrotechnical Commission* (國際電工委員會太陽能光伏系統技術委員會) for approval.

In the field of wind power, the Group optimises the development layout, strengthens the depth of the preliminary work, and achieved significant incremental result. As at 30 June 2018, through self-development, joint development, acquisitions, etc., the Group's aggregate capacity of the grid-connected, under-construction and approved-to-construct wind power projects reached approximately 840MW. In addition, the Group had aggregate projects capacity of approximately 350MW listed in the 2018 national development plan for wind power projects under the "13th Five-Year Plan". These projects mainly locate in Hebei Province, Henan Province, Shandong Province and Inner Mongolia Autonomous Region and mainly situate in resource area IV as promulgated by the NDRC. The on-grid capacity of wind power project held by the Group was 48MW, which locates in Binzhou City* (濱州市), Shandong Province and has been in operation since 2016. The project is in satisfactory operation with actual utilisation hours of 1,393 achieved and with improvement on revenue and gross profit margin reported during the Period. The Group will continue to leverage its comprehensive advantages in technology, branding, investment and financing costs to develop its wind power business steadily.

Chairman's Statement

PERFORMANCE REVIEW *(Continued)*

In the field of clean heat supply, according to "the Notice on the Winter Clean Heat Plan (2017 to 2021) of the Northern China*" ("關於印發北方地區冬季清潔取暖規劃(2017-2021)的通知"), efforts shall be placed to increase the clean heat ratio to 70% by 2021 in the Northern China and accordingly, the clean heat supply industry shall have an ample room for development. In July 2018, the Ministry of Finance, the Ministry of Ecology and Environment, the Ministry of Housing and Urban-Rural Development and the National Energy Administration jointly issued "the Notice on Expanding the Winter Clean Heat Pilot Cities of the Northern China Supporting by the Central Government Funds*" ("關於擴大中央財政支持北方地區冬季清潔取暖城市試點的通知"). Clean heat supply is subsidised by the pilots, and Zhangjiakou and cities within the Fenwei Plain were added in to expand the "2+26" pilot areas. After a three-year pilot period, the pilot cities are required to achieve a clean heat ratio of 100% in the urban area, and the plain areas are required to basically complete the replacement of scattered coal consumption for heat supply, which offers a broad room for the development of the clean heat supply industry. The Group develops its clean heat supply business in Henan, Hebei, Shanxi, Shaanxi, Jiangsu, Liaoning, Shandong and other provinces by means of construction, acquisition and entrusted operation and riding on the clean heat supply technologies including natural gas, industrial excess heat energy, clean coal consumption and water source heat pump according to the local circumstances.

In the field of energy storage, the Group has obtained remarkable achievements in respect of technical management and innovation. In particular, the Group's energy storage project with a capacity of 20MWh locating in the Tibet Autonomous Region was put into on-grid operation in December 2017, and was awarded as the "Top Ten Models of Energy Storage Application and Innovation in 2018*" ("二零一八年度十大儲能應用創新典範") in the Second International Energy Storage Innovation Competition* (第二屆國際儲能創新大賽) organised by the China Energy Research Society* (中國能源研究會). In addition, at the 8th China International Energy Storage Conference* (第八屆中國國際儲能大會) organised by the committee of China International Energy Storage Conference* (中國國際儲能大會組委會), the Group was awarded as the "2018 China Energy Storage Industry Best Photovoltaic Storage Integration Solution Award*" ("二零一八年度中國儲能產業最佳光儲充一體化解決方案獎"), the "2018 China Energy Storage Industry Best System Integration Solution Supplier Award*" ("二零一八年度中國儲能產業最佳系統集成解決方案供應商獎") and the "2018 China Energy Storage Industry Best Design Institution Award*" ("二零一八年度中國儲能產業最佳設計院獎"). Further, the Group commenced the construction of a photovoltaic energy storage and micro-grid network technologies project with a design capacity of 10MW/40MWh in Zhenjiang New District, Jiangsu Province during the Period. In the future, the Group will continue to steadily develop domestic and international energy storage business and carry out diversified businesses such as power demand response, excessive renewable electricity utilisation, power supporting services and micro-grid network technologies, on the basis when the target projects are profitable and capable of generating cash flows.

CORPORATE MANAGEMENT AND CONTROL AND SUSTAINABLE DEVELOPMENT

In the first half of 2018, the Group continued to enhance its corporate governance structure and adhered to its management principles of "sufficient authorisation, goal-oriented, positive incentives, and control and review in place", to constantly and comprehensively improve corporate efficiency, focus on development objectives, carry out variance analysis, and take advantage of information-technology-based means to achieve refined management and constantly enhance the management and control system. Besides, the Group has formed a comprehensive risk assessment model covering the entire Group in accordance with the COSO internal control framework. Further, the Group took into account its business development needs and adhered to the principles of "unified management, rational authorisation and tiered implementation" to strengthen the cost control capability of the supply chain and enhance projects profitability.

Chairman's Statement

CORPORATE MANAGEMENT AND CONTROL AND SUSTAINABLE DEVELOPMENT *(Continued)*

The Group closely adheres to the core values of “being responsible, having values and being sharing”, supports corporate competitiveness construction based on corporate culture, and promotes the Group’s mission, vision, basic value and code of conduct through cultural consensus camp, training, etc. In the future, the Group will continue to enhance staff training and culture advocating, and bolster the supporting role of the corporate culture in strategy implementation, operation management, business collaboration and cohesion of the Group.

The Group values the environment, occupational health and safety performance and implements these in the course of daily corporate operation. The Group’s environmental and production safety work went on stably and orderly, and no environmental or production safety accident on engineering construction and power generation operation occurred during the Period. The Group will continue to strengthen safety system construction, enhance the safety, quality and environmental management systems, reinforce safety risk management and control, conduct production safety inspections, pay emphasis on anti-violation work and elimination of potential safety issues, and enhance emergency response capability construction, and in the meantime organise various safety training, improve staff safety awareness and safety skillset, and constantly innovate safety culture building by organising various activities such as “Safety Culture Slogan Selection”, “Theme Forum of Green Energy and Safety Development”, “Safety, Perseverance, Model” excellent staff selection and “Safety Month Series”.

FUTURE OUTLOOK

2018 marks the 40th anniversary of China’s reform and opening-up. The reforms of the political structure, the economic structure, the state-owned enterprises and the energy achieved phased results and in the meantime, phased strategic deployment has also been formulated to promote the transformations from “Made in China” to “Innovated in China”, from “China Pace” to “China Quality” and from “Manufacturing Country” to “Manufacturing Powerhouse”. The Group upholds its core values of “being responsible, having values and being sharing” and its mission of “contributing our clean energy and building a green future”. With the prominent pride on the industry, self-confidence and the strong sense of social responsibility and by leveraging its advantageous unique mixed ownership structure, concentrating on high quality social capitals and combining its mission and the sense of responsibility with business profitability, the Group shall seek and identify business models and innovation features of different businesses under the new environment. Amid the evolving policies and economic environment, the Group will cohere to the trend, aim at achievement with safety and stability, and pay emphasis on refining its development and optimising its operation to grasp the opportunities in the reforms. We will remain committed to our mission and continue forging ahead, believe that green water and green mountains are invaluable assets, and contribute our efforts in building the “Beautiful China Dream”.

In closing, on behalf of the Board, I would like to express our sincere gratitude to the shareholders and cooperative partners rendering great support and trust to the Group, and our heartfelt thanks to all the employees of BECE for their arduous work.

Hu Xiaoyong
Chairman

Hong Kong, 29 August 2018

* For identification purposes only

Management Discussion and Analysis

1. BUSINESS REVIEW

During the six months ended 30 June 2018, the Group was principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses (the "Photovoltaic Power Business"), wind power businesses (the "Wind Power Business") and clean heat supply businesses (the "Clean Heat Supply Business") in the People's Republic of China (the "PRC"). It also had a non-core business in the design, printing and sale of cigarette packages (the "Cigarette Packaging Business") in the PRC which was disposed of in January 2018. Further details of the disposal of the Cigarette Packaging Business are set out in the Company's announcement dated 10 January 2018.

Financial highlights:

	For the six months ended 30 June		Change %
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	
	Revenue	3,897,240	
Gross profit	1,469,018	1,028,819	43
Profit for the period	708,009	636,001	11
Profit attributable to the equity holders of the Company	690,921	627,156	10
Basic EPS (<i>in HK cents</i>)	1.09	(Restated) 1.19	(8)
EBITDA	1,664,923	1,108,147	50

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000	Change %		
	Total assets	40,921,204		35,995,682	14
	Equity	9,410,967		9,004,029	5
Cash and cash equivalents	3,288,204	4,772,754	(31)		

The Group's revenue during the six months ended 30 June 2018 was comparable to the corresponding period of last year. The increases in the Group's profit for the period and profit attributable to the equity holders of the Company during the six months ended 30 June 2018 as compared to the corresponding period of last year were mainly driven by the performance of the sale of electricity in respect of the Photovoltaic Power Business and the Wind Power Business.

Management Discussion and Analysis

1. BUSINESS REVIEW *(Continued)*

1.1 Sale of Electricity and Entrusted Operations

During the period, the Group expanded its operating capacity through the investment, development, construction, operation and management of power plant projects, and the aggregate revenue in respect of the sale of electricity and the provision of entrusted management services amounted to approximately HK\$1,473.6 million (six months ended 30 June 2017: approximately HK\$701.0 million), representing an increase of 110% as compared to the corresponding period of last year. The aggregate electricity sales volume in respect of the Group's sale of electricity during the six months ended 30 June 2018 was approximately 1.32 million megawatt-hour ("MWh").

Analysis of the business performance is set out below.

1.1.1 Photovoltaic Power Plant Projects

(a) Scale and performance of the centralised power plant projects

During the period, the Group's centralised photovoltaic power business expanded steadily through acquisition of businesses from independent third parties and development and construction of photovoltaic power plants. The Group recorded revenue of approximately HK\$1,155.3 million (six months ended 30 June 2017: approximately HK\$656.7 million) from the sale of electricity from the Group's centralised photovoltaic power plants, representing 30% (six months ended 30 June 2017: 17%) of the Group's total revenue during the period.

As at 30 June 2018, the total capacity of centralised photovoltaic power plant projects held or under joint development by the Group in the PRC reached over 2,300 megawatt ("MW"), with 52 projects in aggregate covering 12 provinces and 3 autonomous regions in the PRC. These projects were mainly situated in photovoltaic resource areas II and III as promulgated by the NDRC, locations considered by the management to be favourable for the development of the Group's Photovoltaic Power Business.

Management Discussion and Analysis

1. BUSINESS REVIEW (Continued)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.1 Photovoltaic Power Plant Projects (Continued)

(a) Scale and performance of the centralised power plant projects (Continued)

As at 30 June 2018, 48 (30 June 2017: 33) centralised photovoltaic power plants held by the Group in the PRC were in operation, and the aggregate on-grid capacity of these photovoltaic power plants reached 1,967MW (30 June 2017: 1,156MW), which is analysed below:

Location	Photovoltaic resource area	Number of plants	For the six months ended 30 June					
			2018		2017			
			Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)	Number of Plants	Approximate total on-grid capacity (MW)	Approximate electricity sales volume (note 1) (MWh)	
Subsidiaries:								
Hebei Province	II/III	15	377	216,834	9	252	186,170	
Henan Province	III	3	264	179,335	3	259	127,196	
Anhui Province	III	7	250	125,342	7	191	112,245	
Shandong Province	III	5	244	155,333	4	124	41,791	
Shaanxi Province	II	2	160	123,620	2	160	97,045	
Guizhou Province	III	3	155	78,965	–	–	–	
Jiangxi Province	III	3	125	64,002	2	47	23,389	
Jiangsu Province	III	2	120	27,411	–	–	–	
Ningxia Hui Autonomous Region	I	1	100	73,891	–	–	–	
Hubei Province	III	2	43	20,997	3	51	26,046	
Jilin Province	II	1	30	23,960	–	–	–	
Tibet Autonomous Region	III	1	30	12,942	1	30	20,173	
Yunnan Province	II	1	22	17,234	1	22	16,891	
Shanxi Province	III	1	20	15,622	1	20	16,111	
			47	1,940	1,135,488	33	1,156	667,057
Joint venture:								
Hubei Province (note 2)	III	1	27	14,880	–	–	–	
Total		48	1,967	1,150,368	33	1,156	667,057	

Note 1: It represented the approximate electricity sales volume of the projects from the later of (i) the dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) the beginning of the respective reporting period, to the end of the respective reporting period. Therefore, the above electricity sales volume does not reflect a full half year performance of these operations.

Note 2: The project was jointly held by the Group and Beijing BE Suyin Equity Investment Management Centre (Limited Partnership)* (北京北控蘇銀股權投資管理中心(有限合夥)), "BE Suyin", a joint venture of the Group. The Group owned 65% subordinated interest in BE Suyin. Further details of the establishment of BE Suyin are set out in the Company's announcement dated 9 August 2017.

Note 3: The average unit selling price (excluding value-added tax) per watt of the above projects during the six months ended 30 June 2018 was approximately RMB0.83.

Management Discussion and Analysis

1. BUSINESS REVIEW *(Continued)*

1.1 Sale of Electricity and Entrusted Operations *(Continued)*

1.1.1 Photovoltaic Power Plant Projects *(Continued)*

(a) Scale and performance of the centralised power plant projects *(Continued)*

The above table includes two projects under the photovoltaic top runner program* (領跑者計劃, the “Top Runner Program”) with an aggregate designed capacity of 150MW. The Top Runner Program was approved by the National Energy Administration of the PRC and sets out advanced technology benchmarks for photovoltaic industry in the PRC. Securing the centralised photovoltaic power plant projects under the Top Runner Program demonstrates the comprehensive technical strengths of the Group and signifies industry recognition and market leadership in the photovoltaic industry in the PRC.

(b) Scale of the centralised photovoltaic power plant projects registered in the Subsidy Catalogues

On 11 June 2018, 12 photovoltaic power plants held by the Group with an aggregate installed capacity of approximately 384MW have been successfully registered into the seventh batch of the Renewable Energy Tariff Subsidy Catalogues (the “Subsidy Catalogues”) according to the notice of the registration results for the seventh batch of the Subsidy Catalogues jointly made by the Ministry of Finance, NDRC and National Energy Administration. Alongside the Group’s photovoltaic power plant registered in the sixth batch of the Subsidy Catalogues, the Group’s aggregate installed capacity of the photovoltaic power plants registered into the Subsidy Catalogues reached approximately 434MW. It is expected that settlements of the accrued and unpaid renewable energy subsidies of these power plants in the total amount of approximately HK\$990.8 million as at 30 June 2018 and the related future subsidies will be accelerated and the Group’s liquidity position will be enhanced. The Group will continue its effort on registering the remaining photovoltaic power plant projects into the Subsidy Catalogues once upcoming Subsidy Catalogues are available for application.

(c) Scale and performance of the distributed power plant projects

In respect of the distributed photovoltaic power business, as at 30 June 2018, the total installed capacity of the distributed photovoltaic power plants held and/or managed by the Group and in operation achieved over 500MW, mainly located in resource area III as promulgated by the NDRC such as Henan Province, Anhui Province, Shandong Province, Jiangsu Province and Hebei Province, which included the distributed photovoltaic power stations constructed by the Group in certain water plants of Beijing Enterprises Water Group Limited of which the Group sold electricity to respective water plants. Revenue from the sale of electricity from the Group’s distributed photovoltaic power plants reached approximately HK\$121.5 million during the period (six months ended 30 June 2017: Nil).

Management Discussion and Analysis

1. BUSINESS REVIEW *(Continued)*

1.1 Sale of Electricity and Entrusted Operations *(Continued)*

1.1.1 Photovoltaic Power Plant Projects *(Continued)*

(d) Key performance data of the centralised photovoltaic power plant projects held by the Group and in operation on or before the beginning of the reporting period

	For the six months ended 30 June		Changes
	2018	2017	
Weighted average curtailment ratio (%)	3.54	9.25	(5.71)
Weighted average utilisation hours (hours)	659	662	(3)

The Group's centralised photovoltaic power plant projects are mainly located in photovoltaic resource areas II and III as promulgated by the NDRC and therefore a relatively low weighted average curtailment ratio was achieved. The improvement of weighted average curtailment ratio during the period as compared to the corresponding period of last year was mainly attributable to the improvement of curtailment ratio of the projects located in Shaanxi Province.

(e) Entrusted management services

In addition to the above-mentioned sale of electricity from the Group's photovoltaic power plants, the Group provided entrusted management services for photovoltaic power plant projects in the PRC and revenue of approximately HK\$106.0 million (six months ended 30 June 2017: approximately HK\$7.5 million) was recognised during the period.

(f) International business exposures

In relation to international business, construction of the Group's first overseas centralised photovoltaic power plant with an operating capacity of 6MW situated in Whyalla, Southern Australia, Australia was completed during the period. It represents the first centralised photovoltaic power plant in Southern Australia developed by a Chinese renewable energy company, signifying the recognition of the Group's technical strength.

Management Discussion and Analysis

1. BUSINESS REVIEW *(Continued)*

1.1 Sale of Electricity and Entrusted Operations *(Continued)*

1.1.2 Wind Power Plant Projects

The technology and cost improvements and the supportive government policies drive new business opportunities in the wind power industry, and in particular, in low-altitude regions such as the Central and Eastern regions of the PRC which in general do not have curtailment issue. With the Group's expertise on, among others, investing, developing and managing wind and other power businesses, the Group is optimistic on expanding its Wind Power Business to contribute its effort in building up a green future of the PRC.

As at 30 June 2018, through self-development, joint development, acquisitions, etc., the Group's aggregate capacity of the grid-connected, under-construction and approved-to-construct wind power projects reached approximately 840MW. In addition, the Group had aggregate projects capacity of approximately 350MW listed in the 2018 national development plan for wind power projects under the "13th Five-Year Plan". These projects mainly locate in Hebei Province, Henan Province, Shandong Province and Inner Mongolia Autonomous Region and mainly situate in resource area IV as promulgated by the NDRC. Among the above total capacity of approximately 1,190MW, a 48MW wind power plant locating in Shandong Province, the PRC, resource area IV as promulgated by the NDRC, was held by the Group and in stable operation, and was also registered into the seventh batch of the Subsidy Catalogues. Revenue of approximately HK\$42.7 million (six months ended 30 June 2017: approximately HK\$36.8 million) from the sale of wind power electricity was recognised by the Group during the period with respective gross profit ratio of 66.5% (six months ended 30 June 2017: 62.4%). The project performance is enhanced during the period, in particular, (i) the curtailment ratio reduced from 2.17% during the six months ended 30 June 2017 to 0.17% during the six months ended 30 June 2018; and (ii) the actual utilisation improved from 1,277 hours during the six months ended 30 June 2017 to 1,393 hours during the six months ended 30 June 2018.

In addition to the above-mentioned sale of electricity from the Group's wind power plant, the Group provided entrusted management services for wind power plant projects in the PRC and revenue of approximately HK\$48.1 million (six months ended 30 June 2017: Nil) was recognised during the period.

Management Discussion and Analysis

1. BUSINESS REVIEW *(Continued)*

1.2 Engineering, Procurement and Construction Services, and Technical Consultancy Services

The Group is engaged in the provision of engineering, procurement and construction services for clean energy businesses and has couples of qualification and extensive experience in the design, engineering and construction of photovoltaic and other power-related projects. During the six months ended 30 June 2018, a number of clean energy projects on engineering, procurement and construction services locating in the PRC were undergoing, and revenue of approximately HK\$2,081.7 million (six months ended 30 June 2017: approximately HK\$2,842.9 million) in aggregate was recognised during the period, representing 53% (six months ended 30 June 2017: 74%) of the Group's total revenue during the period and a decrease by 27% as compared to the corresponding period of last year. As a result of the change in the Group's revenue structure and business focus, revenue from construction services reduced while revenue from other business sectors increased during the six months ended 30 June 2018 as compared to the corresponding period of last year.

In addition to the above, two clean energy projects on a build-operate-transfer basis (the "BOT Basis") were under construction. With reference to HK(IFRIC) Interpretation 12 *Service Concession Arrangements*, construction revenue of approximately HK\$165.6 million (six months ended 30 June 2017: approximately HK\$224.3 million) was recognised during the six months ended 30 June 2018 with reference to the fair value of construction services delivered during the construction phase. The fair value of such service is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the inception date of the development agreement (i.e. service concession agreement).

In respect of the technical consultancy services, the Group successfully marketed the aforementioned qualification and experience to other industry participants. Revenue of approximately HK\$128.5 million (six months ended 30 June 2017: approximately HK\$90.0 million) was recognised during the period.

Management Discussion and Analysis

1. BUSINESS REVIEW *(Continued)*

1.3 Provision of Clean Heat Supply Services

Clean heat supply represents the production of low emission heat through the utilisation of clean energies such as natural gas, electricity, geothermal energy, biomass energy, photovoltaic power, industrial excess heat energy, clean coal (ultra-low emission) energy, river water source etc., and the supply of such heat to end users. In 2017, 83% of the heat supply region in the Northern PRC adopts coal as the source of heat supply, and increasing the proportion of clean heat supply usage shall improve the air pollution issue in the PRC. With various supportive government policies issued including but not limited to the issuance of “the Notice on the Winter Clean Heat Plan (2017 to 2021) of the Northern China*” (“關於印發北方地區冬季清潔取暖規劃(2017-2021年)的通知”) jointly by ten government authorities in December 2017, the Clean Heat Supply Business shall have a favourable business prospects.

The Group commenced to develop the Clean Heat Supply Business during the year ended 31 December 2017. As at 30 June 2018, through development and business acquisition, 10 projects in operation locating in Henan, Hebei, Shanxi, Shaanxi, Jiangsu, Liaoning, Shandong and other provinces were held and/or managed by the Group. Revenue of approximately HK\$47.8 million (six months ended 30 June 2017: Nil) arising from the provision of clean heat supply services was recognised by the Group during the period.

1.4 Other Clean Energy Businesses

The Group has been exploring other clean energy businesses such as multi-energy complement, energy storage, micro-grid network technologies, geothermal power, distribution and sales of electricity, liquefied natural gas business and other business lines, and exploring international opportunities for strategic development and diversification, with an aim to become a leading integrated clean energy service provider.

In respect of the energy storage business, the Group has completed a photovoltaic energy storage demonstrative project with a capacity of 20MWh in Tibet Autonomous Region, the PRC during the year ended 31 December 2017, representing the world’s highest altitude energy storage project. During the period, the project was awarded as the “Top Ten Models of Energy Storage Application and Innovation in 2018*” (“二零一八年度十大儲能應用創新典範”) in the Second International Energy Storage Innovation Competition* (第二屆國際儲能創新大賽) organised by the China Energy Research Society* (中國能源研究會). In addition, the Group’s energy storage technological development is well-recognised by the industry. At the 8th China International Energy Storage Conference* (第八屆中國國際儲能大會) organised by the committee of China International Energy Storage Conference* (中國國際儲能大會組委會), the Group was awarded the “2018 China Energy Storage Industry Best Photovoltaic Storage Integration Solution Award*” (“二零一八年度中國儲能產業最佳光儲充一體化解決方案獎”), the “2018 China Energy Storage Industry Best System Integration Solution Supplier Award*” (“二零一八年度中國儲能產業最佳系統集成解決方案供應商獎”) and the “2018 China Energy Storage Industry Best Design Institution Award*” (“二零一八年度中國儲能產業最佳設計院獎”).

Management Discussion and Analysis

2. FINANCIAL PERFORMANCE

2.1 Revenue and gross profit margin

During the six months ended 30 June 2018, the Group recorded revenue of approximately HK\$3,897.2 million (six months ended 30 June 2017: approximately HK\$3,858.2 million). As a result of the change in the Group's revenue structure and business focus, revenue from construction services reduced while revenue from other business sectors increased during the six months ended 30 June 2018 as compared to the corresponding period of last year. In particular, (i) revenue from the sale of electricity and entrusted management services reached approximately HK\$1,473.6 million (six months ended 30 June 2017: approximately HK\$701.0 million) in aggregate; and (ii) construction revenue from the construction services provided to independent third parties was approximately HK\$2,247.3 million (six months ended 30 June 2017: approximately HK\$3,067.2 million).

The gross profit performance by each business nature is set out below:

	For the six months ended 30 June					
	2018			2017		
	Revenue (HK\$ million)	Gross profit ratio (%)	Gross profit (HK\$ million)	Revenue (HK\$ million)	Gross profit ratio (%)	Gross profit (HK\$ million)
Sale of electricity						
Photovoltaic Power Business	1,276.8	66.3	846.0	656.7	68.3	448.2
Wind Power Business	42.7	66.5	28.4	36.8	62.2	22.9
Construction services	2,247.3	14.9	335.0	3,067.2	15.2	466.0
Technical consultancy services	128.5	86.7	111.4	90.0	93.9	84.5
Entrusted operations	154.1	87.0	134.1	7.5	96.0	7.2
Provision of clean heat supply services	47.8	29.5	14.1	–	N/A	–
Total	3,897.2	37.7	1,469.0	3,858.2	26.7	1,028.8

Analysis of the above businesses are set out in the section headed "1. Business Review" in "Management Discussion and Analysis".

Management Discussion and Analysis

2. FINANCIAL PERFORMANCE *(Continued)*

2.1 Revenue and gross profit margin *(Continued)*

Gross profit for the sale of electricity increased from approximately HK\$471.1 million for the six months ended 30 June 2017 to approximately HK\$874.4 million during the six months ended 30 June 2018, representing 60% (six months ended 30 June 2017: 46%) to the total gross profit of the Group. The increase in contribution of sale of electricity to the Group's total gross profit was mainly attributable to the steady expansion of the Group's operating capacity of the photovoltaic power plant projects. On the other hand, contribution of construction services to the Group's total gross profit was 23% (six months ended 30 June 2017: 45%) during the period. As a result of the change in revenue structure, overall gross profit percentage increased from 26.7% during the six months ended 30 June 2017 to 37.7% during the six months ended 30 June 2018.

2.2 Other income and gains, net

The Group's other income and gains, net achieved approximately HK\$128.6 million (six months ended 30 June 2017: approximately HK\$22.1 million) during the six months ended 30 June 2018. The increase was mainly attributable to the recognition of (i) gain on disposal of the Cigarette Packaging Business of HK\$34.7 million (six months ended 30 June 2017: Nil); (ii) interest income of approximately HK\$49.6 million (six months ended 30 June 2017: approximately HK\$8.4 million); and (iii) government grants of approximately HK\$41.4 million (six months ended 30 June 2017: approximately HK\$5.8 million).

2.3 Administrative expenses

Administrative expenses mainly consisted of staff costs and head office expenses such as legal and professional fees. The increase in administrative expenses to approximately HK\$369.8 million (six months ended 30 June 2017: approximately HK\$137.0 million) was mainly attributable to the increases in staff costs by approximately HK\$116.7 million and other administrative expenses during the period as a result of the expansion of the clean energy businesses, and the recognition of equity-settled share option expenses of approximately HK\$11.6 million (six months ended 30 June 2017: Nil) during the period derived from the Company's share options granted on 18 September 2017.

2.4 Other operating expenses

It mainly represented the net foreign exchange losses of approximately HK\$13.7 million (six months ended 30 June 2017: approximately HK\$4.1 million) recognised during the six months ended 30 June 2018.

2.5 Finance costs

The increase in finance costs of the Group by approximately HK\$213.4 million to approximately HK\$424.5 million (six months ended 30 June 2017: approximately HK\$211.1 million) was mainly attributable to the increase in the average balances of bank and other borrowings and finance lease payables of the Group as compared to the corresponding period of last year.

Management Discussion and Analysis

2. FINANCIAL PERFORMANCE *(Continued)*

2.6 Income tax expense

The Group conducted its principal activities in the PRC and the relevant standard corporate income tax rate was 25%. The Group's effective tax rate was lower than the standard corporate income tax rate in the PRC as certain of the Group's operating subsidiaries enjoyed tax concession benefits during the corresponding periods.

2.7 Property, plant and equipment

Property, plant and equipment mainly represented the carrying amounts of clean energy projects held by the Group and in operation or under construction, and the increase was mainly attributable to the acquisition and development of clean energy projects during the six months ended 30 June 2018.

2.8 Investment properties

The Group's investment properties represented the fair value of an office in Hong Kong and were leased to an independent third party during the six months ended 30 June 2018.

2.9 Prepaid land lease payments

The increase in prepaid land lease payments was mainly attributable to the acquisition and development of photovoltaic power plant projects and clean heat supply projects during the six months ended 30 June 2018.

2.10 Goodwill

It was attributable to the acquisition of subsidiaries since 2016 and the increase was mainly attributable to the acquisition of photovoltaic power plant projects and clean heat supply projects during the six months ended 30 June 2018.

2.11 Operating concessions and operating rights

Operating concessions and operating rights represented the rights to operate a photovoltaic power plant project and a clean heat supply project under the BOT Basis, and the operating rights arising from the acquisition of photovoltaic and wind power businesses with reference to HKFRS 3 (Revised) *Business Combinations*, respectively. The increase in operating concessions was mainly attributable to the construction of two clean energy projects on a BOT Basis as detailed in the section headed "1.2 Engineering, Procurement and Construction Services, and Technical Consultancy Services" in "Management Discussion and Analysis", and the decrease in operating rights was mainly attributable to the amortisation provided for during the period.

Management Discussion and Analysis

2. FINANCIAL PERFORMANCE *(Continued)*

2.12 Investments in joint ventures

It mainly represented the capital contributions made by the Group to the limited partnerships established in the PRC.

2.13 Investments in associates

It represented (i) the Group's investment in Sichuan Jinyu Automobile City (Group) Co., Ltd.* (四川金宇汽車城(集團)股份有限公司, "Sichuan Jinyu", a company established in the PRC and shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ.000803)), an associate owned as to 17.72% by the Group and was principally engaged in the manufacture and sale of renewable energy electrical equipment, trading of silk products, development and operation of real estate and trading of automobiles; and (ii) the Group's investment in Beijing Enterprises City Investment Holdings Group Co., Ltd* (北控城投控股集團有限公司), an associate owned as to 15% by the Group and was principally engaged in the investment, development and operation of infrastructural and properties-related businesses in the PRC.

2.14 Other non-current assets

It represented materials and equipment sold and delivered to independent third parties for the development of photovoltaic power plant projects.

2.15 Amounts due from contract customers

Amounts due from contract customers as at 30 June 2018 of approximately HK\$1,915.3 million (31 December 2017: approximately HK\$2,028.9 million) was mainly attributable to the provision of engineering, procurement and construction services for clean energy projects by the Group. The decrease was attributable to the decrease in the extent of engineering, procurement and construction services provided by the Group during the period.

2.16 Trade and bills receivables

Trade and bills receivables of approximately HK\$8,050.2 million (31 December 2017: approximately HK\$4,502.0 million) as at 30 June 2018 mainly represented (i) receivables from the sale of electricity of the Photovoltaic Power Business and the Wind Power Business of approximately HK\$3,239.7 million (31 December 2017: approximately HK\$1,965.0 million); and (ii) receivables from the provision of engineering, procurement and construction services of the clean energy businesses of approximately HK\$4,670.7 million (31 December 2017: approximately HK\$2,485.3 million).

Trade receivables for the sale of electricity of the Photovoltaic Power Business and the Wind Power Business mainly comprised (i) receivables from the sale of electricity to State Grid, a state-owned enterprise principally engaged in the development and operation of nationwide power network; and (ii) central government renewable energy subsidies for photovoltaic and wind power plant projects receivable on behalf by State Grid and payable to the Group by State Grid. As at 30 June 2018, the aggregate subsidies receivables amounted to approximately HK\$2,902.5 million (31 December 2017: approximately HK\$1,690.1 million), of which approximately HK\$1,010.7 million were related to power plant projects listed on the Subsidy Catalogues.

Management Discussion and Analysis

2. FINANCIAL PERFORMANCE *(Continued)*

2.17 Prepayments, deposits and other receivables, and other tax recoverables

The increase in prepayments, deposits and other receivables and other tax recoverables by approximately HK\$662.8 million in aggregate to approximately HK\$5,712.9 million (31 December 2017: approximately HK\$5,050.1 million) in aggregate (non-current portion and current portion increased by approximately HK\$252.3 million and approximately HK\$410.5 million in aggregate respectively) was mainly attributable to the increases in prepayments, deposits and other receivables for the acquisition and development of the photovoltaic and wind power plant projects, consideration receivable for the disposal of the Cigarette Packaging Business, and input value-added-tax recoverables arising from the acquisition and development of photovoltaic power plants.

2.18 Cash and cash equivalents

The decrease in cash and cash equivalents by approximately HK\$1,484.6 million to approximately HK\$3,288.2 million (31 December 2017: approximately HK\$4,772.8 million) was mainly attributable to net effect of (i) the net increase in bank and other borrowings and finance lease payables; (ii) cash outflow on developing and acquiring clean energy projects; and (iii) receipts of trade and bills receivables during the six months ended 30 June 2018.

2.19 Trade and bills payables

Trade and bills payables of approximately HK\$5,190.6 million (31 December 2017: approximately HK\$4,631.4 million) mainly represented trade and bills payables in relation to the provision of engineering, procurement and construction services.

2.20 Other payables and accruals

Other payables and accruals of approximately HK\$5,745.3 million (31 December 2017: approximately HK\$4,043.3 million) increased by approximately HK\$1,702.0 million, which was mainly due to the net effect of (i) settlement of construction and equipment payables to contractors and suppliers in relation to the projects held by the Group; and (ii) increase in the construction and equipment payable of projects acquired or under development by the Group during the period.

2.21 Interest-bearing bank and other borrowings and finance lease payables

Interest-bearing bank and other borrowings and finance lease payables of approximately HK\$20,178.3 million (31 December 2017: approximately HK\$17,708.7 million) in aggregate increased by approximately HK\$2,469.6 million in aggregate (non-current portion and current portion increased by approximately HK\$2,352.9 million in aggregate and approximately HK\$116.7 million in aggregate respectively), which was mainly attributable to the drawdown of bank and other borrowings and finance lease payables for the development of the clean energy businesses.

Management Discussion and Analysis

2. FINANCIAL PERFORMANCE *(Continued)*

2.22 Capital expenditures

During the six months ended 30 June 2018, the Group's total capital expenditures amounted to approximately HK\$3,674.2 million (six months ended 30 June 2017: approximately HK\$1,959.1 million), comprising (i) construction and acquisition of photovoltaic and wind power plant projects, clean heat supply projects, other property, plant and equipment and operating concessions of approximately HK\$1,561.3 million (six months ended 30 June 2017: approximately HK\$1,321.7 million) in aggregate; (ii) addition to prepaid land lease payments of approximately HK\$36.3 million (six months ended 30 June 2017: approximately HK\$11.7 million); (iii) acquisition of other intangible assets of approximately HK\$5.7 million (six months ended 30 June 2017: approximately HK\$3.4 million); and (iv) investments in and acquisition of equity interests in subsidiaries, joint ventures, associates and an available-for-sale investment of approximately HK\$2,070.9 million (six months ended 30 June 2017: approximately HK\$622.3 million).

2.23 Liquidity and financial resources

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars ("HK\$") and Renminbi ("RMB"). Surplus cash is generally placed in short-term deposits denominated in HK\$ and RMB.

As at 30 June 2018, the Group's cash and cash equivalents amounted to approximately HK\$3,288.2 million (31 December 2017: approximately HK\$4,772.8 million).

Developments of the clean energy businesses require material initial capital investments and the Group funds such developments during the six months ended 30 June 2018 mainly by long-term bank and other borrowings and finance lease payables as illustrated below. Accordingly, the Group recorded net current assets position of approximately HK\$2,452.9 million (31 December 2017: approximately HK\$2,884.0 million) as at 30 June 2018.

As at 30 June 2018, the Group's total borrowings of approximately HK\$20,178.3 million (31 December 2017: approximately HK\$17,708.7 million) comprised (i) bank and other borrowings of approximately HK\$7,442.3 million (31 December 2017: approximately HK\$6,530.1 million); and (ii) finance lease payables of approximately HK\$12,736.0 million (31 December 2017: approximately HK\$11,178.6 million). 86% (31 December 2017: 85%) of the Group's borrowings are long-term borrowings and over 99% (31 December 2017: 99%) of the Group's borrowings bear interest at floating rates.

Management Discussion and Analysis

2. FINANCIAL PERFORMANCE *(Continued)*

2.23 Liquidity and financial resources *(Continued)*

The Group had unutilised banking facilities of approximately HK\$759 million (31 December 2017: approximately HK\$926 million) with terms ranging from 6 months to 8 years (31 December 2017: ranging from repayable on demand to 10 years) as at 30 June 2018.

As at 30 June 2018, the Group's total equity amounted to approximately HK\$9,411.0 million (31 December 2017: approximately HK\$9,004.0 million). The increase was mainly attributable to the net effect of (i) the profit attributable to the equity holders of the Company of approximately HK\$690.9 million recognised during the six months ended 30 June 2018; and (ii) the decrease in the Group's consolidated exchange fluctuation reserve attributable to the depreciation of RMB against HK\$ during the period.

The Group's gearing ratio (defined as bank and other borrowings and finance lease payables, net of cash and cash equivalents, divided by the total equity) was 179% (31 December 2017: 144%) as at 30 June 2018. The increase in gearing ratio was mainly due to the increase in bank and other borrowings and finance lease payables for the purpose of funding the development of the clean energy businesses.

2.24 Equity fund raising of the Company

Update on the unutilised net proceeds raised from the open offer

On 11 September 2017, the Company completed an open offer (the "Open Offer") on the basis of one (1) offer share for every seven (7) existing ordinary shares of the Company held by the qualifying shareholders at the subscription price of HK\$0.17 per offer share and a total of 7,820,619,687 offer shares were issued. The net proceeds received of HK\$1,328,225,000 shall be utilised as to 50% for organic growth (i.e. self-development of photovoltaic power plant projects) and 50% for acquisitions (including the potential acquisitions of established project companies in relation to photovoltaic and wind power businesses) as disclosed in the Company's prospectus dated 21 August 2017.

As disclosed in the Company's annual report for the year ended 31 December 2017, as at 27 March 2018, save as the unutilised net proceeds of approximately HK\$75.3 million to be utilised for the self-development of photovoltaic power plant projects in Anhui Province, the PRC, all the net proceeds were utilised as intended. As at the date of this report, these unutilised net proceeds were fully utilised as intended.

Management Discussion and Analysis

LOCK-UP UNDERTAKINGS OF SHARES BY DIRECTORS

On 6 May 2016, Zihua Investments Limited (“Zihua”), a company controlled by Mr. Hu Xiaoyong, the chairman of the Company and an executive Director, entered into a lock-up arrangement with the Company, pursuant to which certain shares held by Zihua are subject to lock-up undertakings for the period from 6 May 2016 to the date falling on the same calendar date of the thirtieth month (both dates inclusive) thereof.

On 6 May 2016, 北京倍思泰科新能源科技開發有限公司 (Beijing Bestech New Energy Technology Development Co., Ltd.*, “Bestech”), a company controlled by Mr. Wang Ye, an executive Director, has also entered into a lock-up arrangement with the Company, pursuant to which certain shares held by Bestech are subject to lock-up undertakings for the period from 6 May 2016 to the date falling on the same calendar date of the thirtieth month (both dates inclusive) thereof.

Further details of the above lock-up undertakings are set out in the Company’s announcement dated 6 May 2016.

CHARGE ON THE GROUP’S ASSETS

The secured bank and other borrowings and finance lease payables of the Group as at 30 June 2018 are secured by:

- (i) pledges over certain of the Group’s property, plant and equipment and an operating concession;
- (ii) pledges over certain of the Group’s trade receivables;
- (iii) pledges over the Group’s equity interests in certain subsidiaries;
- (iv) guarantees given by the Company and/or its subsidiaries; and/or
- (v) pledges over certain of the Group’s bank balances.

Save as disclosed above, at 30 June 2018, the Group did not have any charges on the Group’s assets.

CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a(n) increase/decrease in the Group's net asset value. During the six months ended 30 June 2018, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed 1,957 employees with total staff cost of approximately HK\$220.1 million incurred for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$107.9 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

- (a) Pursuant to the agreement dated 10 January 2018 entered into between the Company (as the seller) and Ms. Huang Li (as the purchaser), the Cigarette Packaging Business was disposed of by the Company to Ms. Huang Li for a consideration of HK\$258,868,000. The disposal was completed on 17 January 2018. Further details of the disposal are set out in the Company's announcement dated 10 January 2018; and
- (b) On 18 April 2018, 天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*, "Tianjin Clean Energy") (as the purchaser) and an independent third party (as the vendor) (the "XS Target Companies' Vendor") entered into two equity transfer agreements, pursuant to which Tianjin Clean Energy agreed to acquire the entire equity interests in 響水恆能太陽能發電有限公司 (Xiangshui Hengneng Photovoltaic Power Co. Ltd.*, "XSHN") and 響水永能太陽能發電有限公司 (Xiangshui Yongneng Photovoltaic Power Co. Ltd.*, "XSYN") from the XS Target Companies' Vendor for an aggregate consideration of approximately RMB457,679,000 (equivalent to approximately HK\$563,644,000). In addition, pursuant to two debt settlement agreements entered into between Tianjin Clean Energy, the XS Target Companies' Vendor and XSHN and XSYN (as appropriate) dated 18 April 2018, Tianjin Clean Energy shall repay the liabilities for and on behalf of XSHN and XSYN in an aggregate amount of approximately RMB893,056,000 (equivalent to approximately HK\$1,099,823,000). XSHN and XSYN hold a 100MW photovoltaic power plant and a 20MW photovoltaic power plant in 鹽城市 (Yancheng City*), Jiangsu Province, the PRC, respectively. The equity transfers were completed in May 2018 and XSHN and XSYN became indirect wholly-owned subsidiaries of the Company. Further details are set out in the Company's announcement dated 18 April 2018.

Save as disclosed above, there were no significant investments, material acquisition and disposal of subsidiaries and associated companies by the Group for the six months ended 30 June 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

* For identification purposes only

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June	
		2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
REVENUE	3	3,897,240	3,858,154
Cost of sales		(2,428,222)	(2,829,335)
Gross profit		1,469,018	1,028,819
Other income and gains, net	3	128,562	22,090
Selling and distribution expenses		(9,827)	(60)
Administrative expenses		(369,837)	(137,037)
Other operating expenses, net		(15,209)	(4,304)
Finance costs	5	(424,502)	(211,142)
Share of profits and losses of:			
Joint ventures		(4,939)	2,233
Associates		(2,414)	–
PROFIT BEFORE TAX	4	770,852	700,599
Income tax expense	6	(62,843)	(64,598)
PROFIT FOR THE PERIOD		708,009	636,001
ATTRIBUTABLE TO:			
Equity holders of the Company		690,921	627,156
Non-controlling interests		17,088	8,845
		708,009	636,001
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		(Restated)
Basic		HK1.09 cents	HK1.19 cents
Diluted		HK1.09 cents	(Restated) HK1.14 cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
PROFIT FOR THE PERIOD	708,009	636,001
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Available-for-sale investment:		
Changes in fair value	–	30,651
Exchange fluctuation reserve:		
Translation of foreign operations	(373,459)	223,379
Release upon disposal of subsidiaries	(16,526)	–
	(389,985)	254,030
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive income/(loss) of joint ventures	(3,526)	357
Share of other comprehensive loss of associates	(12,610)	–
	(16,136)	357
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(406,121)	254,387
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	301,888	890,388
ATTRIBUTABLE TO:		
Equity holders of the Company	300,904	879,786
Non-controlling interests	984	10,602
	301,888	890,388

Condensed Consolidated Statement of Financial Position

30 June 2018

	Notes	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	18,000,684	15,567,761
Investment properties		175,000	175,000
Prepaid land lease payments		322,319	191,102
Goodwill		527,385	339,287
Operating concessions		1,179,312	1,060,563
Operating rights		493,248	516,882
Other intangible assets		13,365	8,751
Investments in joint ventures		135,513	94,228
Investments in associates		721,711	681,279
Available-for-sale investment		–	7,612
Financial asset at fair value through other comprehensive income		7,495	–
Prepayments, deposits and other receivables	11	1,534,995	1,451,629
Other tax recoverables		1,303,012	1,134,059
Other non-current assets		106,947	108,618
Deferred tax assets		29,022	27,122
Total non-current assets		24,550,008	21,363,893
CURRENT ASSETS			
Inventories		118,647	21,164
Amounts due from contract customers		1,915,314	2,028,891
Trade and bills receivables	10	8,050,185	4,502,025
Prepaid land lease payments		12,090	5,318
Prepayments, deposits and other receivables	11	2,075,782	1,756,591
Other tax recoverables		799,080	707,811
Pledged bank deposits		111,894	497,340
Cash and cash equivalents		3,288,204	4,772,754
Total current assets		16,371,196	14,291,894
Assets of a disposal group classified as held for sale		–	339,895
Total current assets		16,371,196	14,631,789

Condensed Consolidated Statement of Financial Position

30 June 2018

	Notes	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
CURRENT LIABILITIES			
Trade and bills payables	12	5,190,587	4,631,417
Other payables and accruals	13	5,745,274	4,043,342
Interest-bearing bank and other borrowings	14	1,264,906	1,349,295
Finance lease payables	15	1,591,734	1,390,624
Income tax payables		125,792	233,930
		13,918,293	11,648,608
Liabilities directly associated with the assets classified as held for sale		–	99,172
Total current liabilities		13,918,293	11,747,780
NET CURRENT ASSETS		2,452,903	2,884,009
TOTAL ASSETS LESS CURRENT LIABILITIES		27,002,911	24,247,902
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	6,177,443	5,180,768
Finance lease payables	15	11,144,240	9,787,999
Other non-current liabilities		106,440	108,104
Deferred tax liabilities		163,821	167,002
Total non-current liabilities		17,591,944	15,243,873
Net assets		9,410,967	9,004,029
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	16	63,525	63,525
Reserves		8,815,455	8,497,381
		8,878,980	8,560,906
Non-controlling interests		531,987	443,123
Total equity		9,410,967	9,004,029

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to equity holders of the Company											
	Ordinary shares	Convertible preference shares	Share premium account	Share option reserve	Special reserves	Available-for-sale investment revaluation reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
At 1 January 2017	42,512	7,483	4,060,366	-	83,077	-	84,044	(380,580)	552,696	4,449,598	35,278	4,484,876
Profit for the period	-	-	-	-	-	-	-	-	627,156	627,156	8,845	636,001
Other comprehensive income for the period:												
Available-for-sale investment:												
Change in fair value	-	-	-	-	-	30,651	-	-	-	30,651	-	30,651
Exchange differences related to foreign operations	-	-	-	-	-	-	-	221,622	-	221,622	1,757	223,379
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	-	357	-	357	-	357
Total comprehensive income for the period	-	-	-	-	-	30,651	-	221,979	627,156	879,786	10,602	890,388
Disposal of partial interest in a subsidiary	-	-	-	-	1	-	-	-	-	1	(1)	-
Capital contributions from non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	30,078	30,078
Issue of new convertible preference shares	-	4,749	370,496	-	-	-	-	-	-	375,245	-	375,245
Conversion from convertible preference shares to ordinary shares	12,232	(12,232)	-	-	-	-	-	-	-	-	-	-
Transfer from retained profits	-	-	-	-	-	-	1,224	-	(1,224)	-	-	-
At 30 June 2017	54,744	-	4,430,862	-	83,078	30,651	85,268	(158,601)	1,178,628	5,704,630	75,957	5,780,587

	Attributable to equity holders of the Company											
	Ordinary shares	Convertible preference shares	Share premium account	Share option reserve	Special reserves	Available-for-sale investment revaluation reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
At 1 January 2018	63,525	-	5,925,295*	6,657*	88,149*	-*	209,941*	280,192*	1,987,147*	8,560,906	443,123	9,004,029
Profit for the period	-	-	-	-	-	-	-	-	690,921	690,921	17,088	708,009
Other comprehensive loss for the period:												
Exchange differences related to foreign operations	-	-	-	-	-	-	-	(357,355)	-	(357,355)	(16,104)	(373,459)
Release upon disposal of subsidiaries	-	-	-	-	-	-	-	(16,526)	-	(16,526)	-	(16,526)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	-	(3,526)	-	(3,526)	-	(3,526)
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	(12,610)	-	(12,610)	-	(12,610)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	(390,017)	690,921	300,904	984	301,888
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	28,508	28,508
Acquisition of non-controlling interests	-	-	-	-	5,599	-	-	-	-	5,599	(50,303)	(44,704)
Capital contributions from non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	109,675	109,675
Disposal of subsidiaries	-	-	-	-	(79,601)	-	(34,146)	-	113,747	-	-	-
Equity-settled share option arrangements	-	-	-	11,571	-	-	-	-	-	11,571	-	11,571
Transfer from retained profits	-	-	-	-	-	-	7,092	-	(7,092)	-	-	-
At 30 June 2018	63,525	-	5,925,295*	18,228*	14,147*	-*	182,887*	(109,825)*	2,784,723*	8,878,980	531,987	9,410,967

* These reserve accounts comprise the consolidated reserves of HK\$8,815,455,000 (unaudited) (31 December 2017: HK\$8,497,381,000 (audited)) in the condensed consolidated statement of financial position as at 30 June 2018.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Note	For the six months ended 30 June	
		2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash used in operating activities		(1,064,692)	(1,233,118)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		49,620	8,432
Purchases of items of property, plant and equipment		(630,889)	(1,381,890)
Proceeds from disposal of items of property, plant and equipment		484	–
Addition of prepaid land lease payments		(36,272)	(11,697)
Addition of operating concessions		(73,823)	(247,615)
Addition of other intangible assets		(5,657)	(3,299)
Addition of an available-for-sale investment		–	(497,294)
Investments in joint ventures		(49,750)	(17,294)
Investment in an associate		(55,456)	–
Acquisition of subsidiaries	17	(678,505)	577
Disposal of subsidiaries		172,579	–
Deposits for potential business acquisition		(103,711)	(246,235)
Increase in advances to independent third parties in relation to development of clean energy projects		(298,821)	–
Increase in other non-current assets/liabilities and receivables from potential acquisition companies, net		–	(429,523)
Decrease in pledged bank deposits		394,051	332,408
Net cash used in investing activities		(1,316,150)	(2,493,430)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new convertible preference shares		–	375,245
Capital contributions by non-controlling equity holders		109,675	30,078
Acquisition of non-controlling interests		(44,704)	–
New bank and other borrowings		1,496,963	440,827
Repayment of bank and other borrowings		(1,582,331)	(285,367)
Proceeds received under finance lease arrangements		2,091,305	4,432,606
Capital element of finance lease rental payments		(632,291)	(106,780)
Interest on bank and other borrowings paid		(125,131)	(99,653)
Interest element of finance lease rental payments		(335,918)	(111,489)
Net cash from financing activities		977,568	4,675,467
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		4,772,754	1,633,214
Effect of foreign exchange rate changes, net		(81,276)	60,026
CASH AND CASH EQUIVALENTS AT END OF PERIOD		3,288,204	2,642,159

Notes to the Condensed Consolidated Financial Statements

30 June 2018

1.1 CORPORATE AND GROUP INFORMATION

Beijing Enterprises Clean Energy Group Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

During the six months ended 30 June 2018, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses (the “Photovoltaic Power Business”), wind power businesses (the “Wind Power Business”) and clean heat supply businesses (the “Clean Heat Supply Business”) in the mainland (“Mainland China”) of the People’s Republic of China (the “PRC”).

Pursuant to an agreement entered into between the Company (as the seller) and Ms. Huang Li (as the purchaser) dated 10 January 2018, the business of the design, printing and sale of cigarette packages in the PRC (the “Cigarette Packaging Business”) was disposed of by the Company to Ms. Huang Li for a consideration of HK\$258,868,000. The transaction was completed on 17 January 2018. Further details of the disposal of the Cigarette Packaging Business are set out in the Company’s announcement dated 10 January 2018.

1.2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 have 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 (“HKICPA”). The interim financial information does not include all the information and disclosures in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017. The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are the same as those adopted in the annual financial statements for the year ended 31 December 2017 except for the changes in accounting policies made thereafter in adopting the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, which became effective for the first time for the current period’s financial statements, as further detailed in note 1.3 below. Details of the basis of preparation of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 are set out in the Company’s interim report for the six months ended 30 June 2017.

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

Notes to the Condensed Consolidated Financial Statements

30 June 2018

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's interim condensed consolidated financial statements:

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

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above revised standards has had no significant financial effect on the interim financial information. The nature and the impact of the changes are described below:

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) **Classification and measurement**

Except for trade receivables and amounts due from contract customers, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

Notes to the Condensed Consolidated Financial Statements

30 June 2018

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

(i) **Classification and measurement** *(Continued)*

The new classification and measurement of the Group's financial assets is as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's unquoted equity instruments were classified as available-for-sale financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and applied to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The adoption of HKFRS 9 has had no significant impact on the Group's interim financial information on classification and measurement of its financial assets.

(ii) **Impairment**

HKFRS 9 requires an impairment on trade and bills receivables, amounts due from contract customers and deposits and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its amounts due from contract customers and trade receivables with no significant financing component. The Group applied general approach and recorded twelve month expected losses on its remaining receivables and deposits other than those mentioned above. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

Notes to the Condensed Consolidated Financial Statements

30 June 2018

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

For the six months ended 30 June 2018, the Group has concluded that the adoption of HKFRS 15 did not have a material impact on the timing of revenue recognition.

The Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information. Details of the disclosure on disaggregated revenue by geographical region and type of goods or services are set out in notes 2 and 3 to these condensed consolidated financial statements, respectively.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the investment, development, construction, operation and management of clean energy businesses (i.e. the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business) and therefore, no segment information is presented in these unaudited interim condensed consolidated financial statements.

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 assets of the Group are located in Mainland China. Accordingly, in the opinion of the Directors, the presentation of geographical information would provide no additional useful information to the users of these unaudited interim condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

30 June 2018

3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the aggregate of (i) sale of electricity with tariff adjustment from photovoltaic and wind power generation, net of value-added tax; (ii) an appropriate proportion of contract revenue of construction contracts relating to clean energy businesses, net of value-added tax; (iii) the value of technical consultancy services rendered from clean energy businesses, net of value-added tax; (iv) the value of entrusted operations services of photovoltaic and wind power businesses, net of value-added tax; and (v) the provision of clean heat supply services, net of value-added tax.

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

	For the six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Revenue		
Sale of electricity with tariff adjustment*		
Photovoltaic Power Business	1,276,767	656,669
Wind Power Business	42,669	36,819
Construction services	2,247,325	3,067,164
Technical consultancy services	128,502	90,021
Entrusted operations	154,147	7,481
Provision of clean heat supply services	47,830	–
	3,897,240	3,858,154
Other income and gains, net		
Bank interest income	21,957	3,714
Other interest income [⊙]	27,663	4,718
Government grants [#]	41,444	5,771
Gains on bargain purchase of subsidiaries (<i>note 17</i>)	–	7,757
Gain on disposal of interests in subsidiaries (<i>note 18</i>)	34,671	–
Others	2,827	130
	128,562	22,090

* Tariff adjustment represents subsidy from the government authorities in respect of the Group's photovoltaic and wind power plants businesses.

⊙ It represents interest income from advances to independent third parties for the development of clean energy businesses.

The government grants mainly represent government subsidies and value-added tax refunds. There are no unfulfilled conditions or contingencies relating to these grants.

Notes to the Condensed Consolidated Financial Statements

30 June 2018

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Cost of sales of electricity	445,127	222,378
Cost of construction services	1,912,267	2,601,184
Cost of technical consultancy services	17,066	5,459
Cost of services in relation to entrusted operations	20,027	314
Cost of clean heat supply services	33,735	–
Depreciation ^⑥	406,796	180,726
Amortisation of prepaid land lease payments [*]	21,447	5,915
Amortisation of operating concessions [*]	24,926	–
Amortisation of operating rights [*]	15,383	9,469
Amortisation of other intangible assets [#]	1,017	296
Foreign exchange differences, net	13,733	4,143

^⑥ Depreciation for the period amounted to approximately HK\$401,396,000 and approximately HK\$5,400,000 (six months ended 30 June 2017: approximately HK\$178,999,000 and approximately HK\$1,727,000) are included in "Cost of sales" and "Administrative expenses" on the face of the condensed consolidated statement of profit or loss, respectively.

^{*} Amortisation of prepaid land lease payments, operating concessions and operating rights for the period are included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss.

[#] Amortisation of other intangible assets for the period is included in "Administrative expenses" on the face of the condensed consolidated statement of profit or loss.

Notes to the Condensed Consolidated Financial Statements

30 June 2018

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Interest on bank and other loans	125,131	99,653
Interest on finance leases	335,918	111,489
Total interest expenses	461,049	211,142
Less: Interest capitalised	(36,547)	–
	424,502	211,142

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2017: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the period based on the prevailing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions because (i) these companies are engaged in the operation of photovoltaic and wind power plants; and (ii) they have operations in certain regions of the PRC that are qualified for certain concessionary corporate income tax rates for a prescribed period of time.

	For the six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Current – Mainland China	63,447	62,950
Deferred	(604)	1,648
Total tax expense for the period	62,843	64,598

Notes to the Condensed Consolidated Financial Statements

30 June 2018

7. INTERIM DISTRIBUTION

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil). No 2017 final dividend was declared during the interim period.

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profits attributable to the equity holders of the Company for the six months ended 30 June 2018 and 2017, and the weighted average number of ordinary shares and convertible preference shares in issue during the periods.

The calculation of the diluted earnings per share amounts is based on the profits attributable to the equity holders of the Company for the six months ended 30 June 2018 and 2017, and the weighted average number of ordinary shares and convertible preference shares in issue during the periods as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued as a result of the effect from the forward contract on the convertible preference shares. No adjustment has been made to the basic earnings per share amount for the six months ended 30 June 2018 in respect of the outstanding share options of the Company due to the anti-dilutive effect on the earnings per share amount.

The calculation of the basic and diluted earnings per share amounts is based on the following data:

	For the six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Earnings		
Profit for the period attributable to equity holders of the Company, used in the basic and diluted earnings per share calculation	690,921	627,156

Notes to the Condensed Consolidated Financial Statements

30 June 2018

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(Continued)

	For the six months ended 30 June	
	2018 (unaudited)	2017 (unaudited and restated)
Number of ordinary shares and convertible preference shares		
Weighted average number of ordinary shares and convertible preference shares in issue during the period, used in the basic earnings per share calculation (<i>note</i>)	63,525,397,057	52,866,554,120
Effect of dilution – weighted average number of ordinary shares:		
Forward contract on convertible preference shares	–	2,111,547,622
Weighted average number of ordinary shares and convertible preference shares, used in the diluted earnings per share calculation (<i>note</i>)	63,525,397,057	54,978,101,742
Basic earnings per share	HK1.09 cents	HK1.19 cents
Diluted earnings per share	HK1.09 cents	HK1.14 cents

Note:

An open offer (the "Open Offer") of one offer share for every seven existing ordinary shares of the Company held by members on the register of members on 15 August 2017 was made at a subscription price of HK\$0.17 per offer share, resulting in the issue of 7,820,619,687 ordinary shares of the Company on 11 September 2017 for a total cash consideration, before expenses, of HK\$1,329,505,000.

The weighted average number of ordinary shares of the Company and convertible preference shares of the Company adopted in the calculation of basic and diluted earnings per share amounts for the six months ended 30 June 2017 have been adjusted retrospectively to reflect the impact of the Open Offer.

Notes to the Condensed Consolidated Financial Statements

30 June 2018

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group had additions to property, plant and equipment of approximately HK\$1,395,689,000 (six months ended 30 June 2017: approximately HK\$1,045,784,000), excluding property, plant and equipment acquired in business combinations with an aggregate carrying amount of approximately HK\$1,834,778,000 (six months ended 30 June 2017: approximately HK\$106,951,000) (*note 17*).

10. TRADE AND BILLS RECEIVABLES

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Trade and bills receivables	5,147,681	2,811,967
Tariff adjustment*	2,902,504	1,690,058
Total trade and bills receivables	8,050,185	4,502,025

The Group's trading terms with its customers are mainly on credit, except for certain new customers where payment in advance is normally required. The Group generally allows credit periods of 30 days to 90 days to its customers, and accepts settlement of certain trade receivables by bank bills with maturity periods from 90 days to 180 days.

The management seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

Notes to the Condensed Consolidated Financial Statements

30 June 2018

10. TRADE AND BILLS RECEIVABLES *(Continued)*

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Billed:		
Within 3 months	2,505,886	1,527,579
4 to 6 months	142,335	98,322
7 to 12 months	1,529,474	1,114,507
Over 1 year	969,986	71,559
Unbilled*	5,147,681	2,811,967
	2,902,504	1,690,058
	8,050,185	4,502,025

* It represented the central government renewable energy subsidy receivables on behalf by State Grid Corporation of China ("State Grid") and payable to the Group by State Grid in respect of the Group's photovoltaic and wind power plant operations based on the existing government policies.

In the opinion of the Directors, the registration procedures of tariff adjustment to photovoltaic and wind power operators are of administrative in nature and the Group will comply with the related procedures stipulated by the current government policy in Mainland China and all other attaching conditions, if any, and the outstanding tariff adjustment receivables shall be recoverable and no impairment was considered necessary as at 30 June 2018.

Notes to the Condensed Consolidated Financial Statements

30 June 2018

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Prepayments	1,085,337	1,161,877
Deposits and other receivables	2,348,439	1,830,186
Due from a joint venture	45,192	45,333
Due from associates	131,809	170,824
	3,610,777	3,208,220
Portion classified as current assets	(2,075,782)	(1,756,591)
Non-current portion	1,534,995	1,451,629

12. TRADE AND BILLS PAYABLES

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

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Within 3 months	1,765,315	3,288,098
4 to 6 months	370,979	204,431
7 to 12 months	2,548,446	406,729
1 to 2 years	490,294	732,159
2 to 3 years	15,553	–
	5,190,587	4,631,417

The trade and bills payables are non-interest-bearing and are normally settled on terms of 60 days to 180 days.

Notes to the Condensed Consolidated Financial Statements

30 June 2018

13. OTHER PAYABLES AND ACCRUALS

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Deposits received	10,737	9,455
Other payables	5,682,774	3,961,246
Accruals	51,763	72,641
	5,745,274	4,043,342

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Bank and other loans:		
Secured	1,366,025	1,782,541
Unsecured	6,076,324	4,747,522
Total bank and other borrowings	7,442,349	6,530,063
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand (<i>note (c)</i>)	1,264,906	1,349,295
In the second year	1,347,705	1,334,146
In the third to fifth years, inclusive	4,033,445	2,961,506
Beyond five years	796,293	885,116
Total bank and other borrowings	7,442,349	6,530,063
Portion classified as current liabilities	(1,264,906)	(1,349,295)
Non-current portion	6,177,443	5,180,768

Notes to the Condensed Consolidated Financial Statements

30 June 2018

14. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

- (a) Certain of the Group's bank and other loans are secured by:
 - (i) guarantees given by the Company and/or its subsidiaries;
 - (ii) pledges over the trade receivables of certain subsidiaries; and/or
 - (iii) pledges over certain of the Group's bank balances.
- (b) The Group's bank and other borrowings bear interest at floating rates with effective interest rates ranging from 2.70% to 5.82% (31 December 2017: 2.71% to 6.53%).
- (c) A bank loan with a principal amount of HK\$800,000,000 (31 December 2017: HK\$450,000,000) as at 30 June 2018 contained an on demand repayment clause and therefore has been recognised as a current liability, which was included in the above analysis as unsecured current interest-bearing bank and other borrowings and bank and other loans repayable within one year or on demand.
- (d) Certain bank borrowing agreements of the Group include conditions imposing specific performance obligations on a substantial beneficial owner of the Company. Details of the agreements with covenants relating to specific performance of the controlling shareholder which constitute disclosure obligation pursuant to rules 13.18 and 13.21 of the Listing Rules are set out in the section headed "Specific Performance Obligations On Controlling Shareholder" in "Disclosure Information".

Notes to the Condensed Consolidated Financial Statements

30 June 2018

15. FINANCE LEASE PAYABLES

The Group leases certain property, plant and equipment for its clean energy businesses under finance lease arrangements. The leases are classified as finance leases and had remaining lease terms of 3 months to 13 years as at 30 June 2018 (31 December 2017: 8 months to 14 years).

The total future minimum lease payments under the finance leases and their present values were as follows:

	Minimum lease payments 30 June 2018 (unaudited) HK\$'000	Minimum lease payments 31 December 2017 (audited) HK\$'000	Present value of minimum lease payments 30 June 2018 (unaudited) HK\$'000	Present value of minimum lease payments 31 December 2017 (audited) HK\$'000
Amounts repayable:				
Within one year	2,290,628	2,021,350	1,591,734	1,390,624
In the second year	2,907,940	1,695,026	2,282,828	1,129,463
In the third to fifth years, inclusive	5,810,069	5,908,272	4,644,257	4,842,729
Over five years	4,719,820	4,322,735	4,217,155	3,815,807
Total minimum finance lease payments	15,728,457	13,947,383	12,735,974	11,178,623
Future finance charges	(2,992,483)	(2,768,760)		
Total net finance lease payables	12,735,974	11,178,623		
Portion classified as current liabilities	(1,591,734)	(1,390,624)		
Non-current portion	11,144,240	9,787,999		

Notes:

- (a) Certain of the above finance lease arrangements are secured by:
- (i) guarantees given by the Company and/or its subsidiaries;
 - (ii) pledges over the Group's leased assets;
 - (iii) pledges over the trade receivables of certain subsidiaries;
 - (iv) a concession right of the Group; and/or
 - (v) pledges over the Group's equity interests in certain subsidiaries.
- (b) Certain finance lease agreements of the Group include conditions imposing specific performance obligations on a substantial beneficial owner of the Company. Details of the agreements with covenants relating to specific performance of the controlling shareholder which constitute disclosure obligation pursuant to rules 13.18 and 13.21 of the Listing Rules are set out in the section headed "Specific Performance Obligations On Controlling Shareholder" in "Disclosure Information".

Notes to the Condensed Consolidated Financial Statements

30 June 2018

16. SHARE CAPITAL

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Authorised:		
Ordinary shares: 466,637,115,100 shares of HK\$0.001 each	466,637	466,637
Convertible preference shares: 33,362,884,900 shares of HK\$0.001 each	33,363	33,363
	500,000	500,000
Issued and fully paid:		
Ordinary shares: 63,525,397,057 shares of HK\$0.001 each	63,525	63,525

Notes to the Condensed Consolidated Financial Statements

30 June 2018

17. BUSINESS COMBINATIONS

The provisional fair values of the identifiable assets and liabilities of the subsidiaries acquired during the period as at their respective dates of acquisition are set out below:

	For the six months ended 30 June	
	2018 (unaudited) HK\$'000 (notes)	2017 (unaudited) HK\$'000 (notes)
Net assets acquired		
Property, plant and equipment	1,834,778	106,951
Other intangible assets	307	–
Deferred tax assets	2,742	–
Inventories	16,726	–
Prepaid land lease payments	130,684	721
Trade receivables	460,517	8,312
Prepayments, deposits and other receivables	131,815	10,452
Other tax recoverables	289,164	18,124
Pledged bank deposits	486	–
Cash and cash equivalents	35,842	577
Trade payables	(142,212)	–
Other payables and accruals	(747,879)	(137,380)
Bank borrowings	(1,013,485)	–
Finance lease payables	(308,069)	–
Income tax payables	(2,722)	–
Non-controlling interests	(28,508)	–
	660,186	7,757
Goodwill	193,319	–
Gains on bargain purchase (note 3)	–	(7,757)
	853,505	–

Notes to the Condensed Consolidated Financial Statements

30 June 2018

17. BUSINESS COMBINATIONS *(Continued)*

	For the six months ended 30 June	
	2018 (unaudited) HK\$'000 (notes)	2017 (unaudited) HK\$'000 (notes)
Satisfied by cash	853,505	–
Net cash inflow/(outflow) in respect of the acquisition:		
Cash consideration	(853,505)	–
Cash and cash equivalents acquired	35,842	577
Outstanding cash consideration at end of period	139,158	–
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	(678,505)	577

The transaction costs incurred by the Group for the acquisitions had been expensed and also included in administrative expenses in the condensed consolidated statements of profit or loss for the six months ended 30 June 2018 and 2017.

The above acquisitions are determined on a provisional basis as the Group is in the process of completing the independent valuations to assess the fair values of the identified assets acquired. It may be adjusted upon the completion of initial accounting year which shall not exceed one year from the respective acquisition dates.

During the period, the acquired businesses contributed approximately HK\$145,622,000 (six months ended 30 June 2017: approximately HK\$8,146,000) and approximately HK\$27,576,000 (six months ended 30 June 2017: approximately HK\$6,035,000) to the Group's revenue and profit for the period between the respective dates of acquisition and the end of the reporting period, respectively.

Had the above acquisition been effected at the beginning of the period, the Group's profit for the six months ended 30 June 2018 would have been HK\$712,537,000 (six months ended 30 June 2017: HK\$638,572,000) and the Group's revenue for the six months ended 30 June 2018 would have been HK\$3,968,927,000 (six months ended 30 June 2017: HK\$3,860,935,000). The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the period, nor is it intended to be a projection of future results.

Notes to the Condensed Consolidated Financial Statements

30 June 2018

17. BUSINESS COMBINATIONS *(Continued)*

Notes:

- (a) During the six months ended 30 June 2018, the Group completed the acquisition of certain companies operating in the Photovoltaic Power Business and the Clean Heat Supply Business in locations such as Jiangsu Province, Hebei Province and Ningxia Hui Autonomous Region, the PRC from independent third parties.
- (b) During the six months ended 30 June 2017, the Group completed the acquisition of a company operating in the Photovoltaic Power Business in Hubei Province, the PRC, from an independent third party.
- (c) The fair values of the trade receivables, and deposits and other receivables as at respective dates of acquisition amounted to HK\$460,517,000 and HK\$96,320,000, respectively.

18. DISPOSAL OF SUBSIDIARIES

	For the six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Property, plant and equipment	27,952	–
Prepayments, deposits and other receivables	187,391	–
Inventories	16,090	–
Trade and bills receivables	83,949	–
Restricted cash and pledged bank deposits	12,530	–
Cash and cash equivalents	11,983	–
Trade and bills payables	(62,718)	–
Other payables and accruals	(12,516)	–
Income tax payable	(10,628)	–
Deferred tax liabilities	(13,310)	–
	240,723	–
Exchange fluctuation reserve realised	(16,526)	–
Gain on disposal of interests in subsidiaries <i>(note 3)</i>	34,671	–
Total consideration – Satisfied by cash	258,868	–

Pursuant to an agreement entered into between the Company (as the seller) and Ms. Huang Li (as the purchaser) dated 10 January 2018, the Cigarette Packaging Business was disposed of by the Company to Ms. Huang Li for a consideration of HK\$258,868,000. The transaction was completed on 17 January 2018. Further details of the disposal of the Cigarette Packaging Business are set out in the Company's announcement dated 10 January 2018.

Notes to the Condensed Consolidated Financial Statements

30 June 2018

19. CONTINGENT LIABILITIES

At 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

20. COMMITMENTS

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

	30 June 2018 (unaudited) HK\$'000	31 December 2017 (audited) HK\$'000
Contracted, but not provided for:		
Construction, material and equipment costs for the development of clean energy projects	2,853,801	2,578,190
Acquisition of subsidiaries	212,791	–
Capital contributions to joint ventures	609,528	622,897
	3,676,120	3,201,087

Save as disclosed above, at 30 June 2018, the Group did not have any significant commitments (31 December 2017: Nil).

21. RELATED PARTY DISCLOSURES

- (a) Save as disclosed elsewhere in these condensed consolidated financial statements, the Group had no other material transactions during the six months ended 30 June 2018 and 2017 and outstanding balances with related parties as at 30 June 2018 and 31 December 2017.
- (b) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Short-term employee benefits	4,167	2,246
Equity-settled share option expenses	11,571	–
Pension scheme contributions	30	22
Total compensation paid to key management personnel	15,768	2,268

In the opinion of the Directors, the Directors represent the key management personnel of the Group.

Notes to the Condensed Consolidated Financial Statements

30 June 2018

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the carrying amounts of financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of the non-current portion of deposits and other receivables, interest-bearing bank and other borrowings and finance lease payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the Directors, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial instruments is made.

The fair value of the Group's investment properties was measured using significant unobservable inputs (Level 3 of fair value hierarchy) as defined in HKFRS 13. During the six months ended 30 June 2018, there was no transfer into or out of Level 3.

The unlisted equity investment of the Group as at 30 June 2018 was measured at fair value through other comprehensive income and its fair value was measured using significant unobservable inputs (Level 3 of fair value hierarchy) as defined in HKFRS 13.

23. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation.

24. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the Directors on 29 August 2018.

Disclosure Information

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(i) Long positions in the shares and/or underlying shares of the Company

Name of Directors	Capacity and number of shares/underlying shares held				Total	Approximate percentage of the Company's issued share capital (Note 1)
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Hu Xiaoyong	132,780,000	–	2,291,454,285 (Note 2)	–	2,424,234,285	3.82%
Mr. Wang Ye	–	–	911,898,742 (Note 3)	–	911,898,742	1.44%

Notes:

- (1) The approximate percentage was calculated on the basis of 63,525,397,057 shares of the Company in issue as at 30 June 2018.
- (2) Out of 2,291,454,285 shares, 2,285,714,285 shares and 5,740,000 shares were held by Zhihua and Starry Chance Investments Limited, respectively, both companies were wholly and beneficially owned by Mr. Hu Xiaoyong. Accordingly, Mr. Hu Xiaoyong is deemed to have interests in those shares of the Company under the SFO.
- (3) Such shares were held by Bestech in which Mr. Wang Ye held more than one-third of the voting power at its general meetings and he was also a director of this company. Accordingly, Mr. Wang Ye is deemed to have interests in those shares of the Company under the SFO.

DISCLOSURE OF INTERESTS *(Continued)*

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations *(Continued)*

(ii) Long positions in the shares and/or underlying shares of the Company's associated corporation

Name of Associated Corporation	Name of Directors	Capacity in which interests are held	Registered capital held	Approximate percentage of interests <i>(Note 1)</i>
北控風力發電有限公司 (Beijing Enterprises Wind Power Generation Company Limited*) ("BE Wind")	Mr. Hu Xiaoyong	Interest of controlled corporation <i>(Note 2)</i>	RMB60,000,000	8.33%
	Mr. Huang Weihua	Interest of controlled corporation <i>(Note 3)</i>	RMB40,000,000	5.56%

Notes:

- (1) The approximately percentage was calculated on the basis of the registered capital of RMB720,000,000 of BE Wind as at 30 June 2018.
- (2) Such interest was held by Great First (Hong Kong) Limited, which in turn was wholly-owned by Mr. Hu Xiaoyong.
- (3) Such interest was held by 西藏多能共拓創業投資合夥企業(普通合夥)(Tibet Duo Neng Gong Tuo Chuang Ye Investment Partnership Corporation (General Partnership)*), of which Mr. Huang Weihua was one of the general partners and held 81% interest in this general partnership.

(iii) Long positions in the share options of the Company

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

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had any interest or short positions in the shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

Disclosure Information

DISCLOSURE OF INTERESTS *(Continued)*

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" and "Share Option Scheme" of this report, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted during or at the end of the period under review, save as disclosed under the section headed "Related Party Disclosures" in note 21 to the condensed consolidated financial statements.

Disclosure Information

DISCLOSURE OF INTERESTS *(Continued)*

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2018, so far as was known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company as disclosed above) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in the shares and/or underlying shares of the Company

Name of shareholders	Capacity in which shares are held	Number of shares held	Approximate percentage of the Company's issued share capital <i>(Note 1)</i>
Beijing Enterprises Group Company Limited ("BE Group") <i>(Note 2)</i>	Interest of controlled corporation	20,253,164,571	31.88%
Beijing Enterprises Holdings Limited ("BEHL") <i>(Note 2)</i>	Interest of controlled corporation	20,253,164,571	31.88%
Beijing Enterprises Water Group Limited ("BEWG") <i>(Note 2)</i>	Interest of controlled corporation	20,253,164,571	31.88%
CITIC Securities Company Limited <i>(Notes 3(i) and (ii))</i>	Interest of controlled corporation	15,189,873,410	23.91%
CITICPE Holdings Limited <i>(Note 3(i))</i>	Interest of controlled corporation	7,594,936,710	11.96%
CITIC PE Associates II, L.P. <i>(Note 3(i))</i>	Interest of controlled corporation	7,594,936,710	11.96%
CPEChina Fund II, L.P. <i>(Note 3(i))</i>	Interest held jointly with another person	7,594,936,710	11.96%
CPEChina Fund IIA, L.P. <i>(Note 3(i))</i>	Interest held jointly with another person	7,594,936,710	11.96%
中信產業投資基金管理有限公司 (CITIC Private Equity Funds Management Co., Ltd.*) ("CITIC Private Equity Funds") <i>(Note 3(i))</i>	Interest of controlled corporation	7,594,936,700	11.96%

Disclosure Information

DISCLOSURE OF INTERESTS *(Continued)*

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares *(Continued)*

Long position in the shares and/or underlying shares of the Company *(Continued)*

Name of shareholders	Capacity in which shares are held	Number of shares held	Approximate percentage of the Company's issued share capital <i>(Note 1)</i>
北京宥德投資管理中心 (有限合夥) (Beijing Youde Investment Management Centre (Limited Partnership)*) ("Beijing Youde Investment") <i>(Note 3(iii))</i>	Interest of controlled corporation	7,594,936,700	11.96%
北京中信投資中心(有限合夥) (CITIC Private Equity Fund III (RMB)*) ("CITIC PEF III") <i>(Note 3(iii))</i>	Interest of controlled corporation	7,594,936,700	11.96%
清華大學 (Tsinghua University) <i>(Note 4)</i>	Interest of controlled corporation	4,045,000,000	6.37%
清華控股有限公司 (Tsinghua Holdings Co., Ltd.*) <i>(Note 4)</i>	Interest of controlled corporation	4,045,000,000	6.37%
啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*) <i>(Note 4)</i>	Interest of controlled corporation	4,045,000,000	6.37%
Tuspark Technology Innovation Ltd. (啟迪科創有限公司) <i>(Note 4)</i>	Beneficial interest	4,045,000,000	6.37%

Notes:

- The approximate percentage was calculated on the basis of 63,525,397,057 shares of the Company in issue as at 30 June 2018.
- BE Group is deemed to be interested in an aggregate of 20,253,164,571 shares of the Company as a result of its indirect holding of such shares through the following entities including its wholly-owned subsidiaries:

Name	Long position in the shares
Fast Top Investment Limited ("Fast Top")	20,253,164,571
BEWG	20,253,164,571
Beijing Enterprises Environmental Construction Limited ("BE Environmental")	20,253,164,571
BEHL	20,253,164,571
Beijing Enterprises Group (BVI) Company Limited	20,253,164,571

Fast Top, a wholly-owned subsidiary of BEWG, beneficially holds 20,253,164,571 shares of the Company. BEWG is directly held as to approximately 42.43% by BE Environmental. BE Environmental is a wholly-owned subsidiary of BEHL, which is in turn directly held as to approximately 61.96% by Beijing Enterprises Group (BVI) Company Limited (by itself and through its subsidiaries), and which is in turn wholly-owned by BE Group.

DISCLOSURE OF INTERESTS (Continued)

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares (Continued)

Long position in the shares and/or underlying shares of the Company (Continued)

Notes: (Continued)

3. CITIC Securities Company Limited (a company listed on the Stock Exchange and the Shanghai Stock Exchange) is deemed to be interested in an aggregate of 15,189,873,410 shares of the Company as a result of its indirect holding of such shares through the following entities including its wholly-owned subsidiaries:

(i)	Name	Long position in the shares
	CTSL Green Power Investment Limited ("Green Power")	7,594,936,710
	CPEChina Fund II, L.P.	7,594,936,710
	CPEChina Fund IIA, L.P.	7,594,936,710
	CITIC PE Associates II, L.P.	7,594,936,710
	CITIC PE Funds II Limited	7,594,936,710
	CITICPE Holdings Limited	7,594,936,710
	CLSA Global Investments Management Limited ("CLSA Global")	7,594,936,710
	CLSA B.V.	7,594,936,710
	CITIC Securities International Company Limited ("CITIC Securities International")	7,594,936,710

Green Power, a company jointly-controlled by CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P., beneficially holds 7,594,936,710 shares of the Company. CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. are two exempted limited partnerships registered under the laws of the Cayman Islands. The general partner of CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. is CITIC PE Associates II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of CITIC PE Associates II, L.P. is CITIC PE Funds II Limited. CITIC PE Funds II Limited is wholly-owned by CITICPE Holdings Limited, which is owned as to 35% by CLSA Global. CLSA Global is wholly-owned by CLSA B.V., which is wholly-owned by CITIC Securities International, which is in turn wholly-owned by CITIC Securities Company Limited.

(ii)	Name	Long position in the shares
	CTSL New Energy Investment Limited ("New Energy")	7,594,936,700
	CITIC PEF III	7,594,936,700
	Beijing Youde Investment	7,594,936,700
	上海馨諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*)	7,594,936,700
	CITIC Private Equity Funds	7,594,936,700

New Energy, a wholly-owned subsidiary of CITIC PEF III, beneficially holds 7,594,936,700 shares of the Company. CITIC PEF III is a limited partnership registered under the laws of the PRC. The general partner of CITIC PEF III is Beijing Youde Investment, a limited partnership registered under the laws of the PRC whose general partner is 上海馨諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*), a limited liability company incorporated in the PRC. 上海馨諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*) is wholly-owned by CITIC Private Equity Funds, which is in turn owned as to 35% by CITIC Securities Company Limited.

4. Tuspark Technology Innovation Ltd. (啟迪科創有限公司), a wholly-owned subsidiary of 啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*), beneficially holds 4,045,000,000 shares of the Company. 啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*) is directly held as to 44.92% by 清華控股有限公司 (Tsinghua Holdings Co., Ltd.*). 清華控股有限公司 (Tsinghua Holdings Co., Ltd.*) is wholly-owned by 清華大學 (Tsinghua University).

Disclosure Information

DISCLOSURE OF INTERESTS *(Continued)*

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares *(Continued)*

Long position in the shares and/or underlying shares of the Company (Continued)

Save as disclosed above, as at 30 June 2018, the Company had not been notified by any persons (other than the Directors and the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the shareholders' resolution passed on 11 June 2013. As at 30 June 2018, there were share options relating to 1,460,000,000 shares granted by the Company, representing approximately 2.30% of the total issued shares of the Company as at the date of this report pursuant to the Share Option Scheme which were valid and outstanding.

The major terms of the Share Option Scheme are summarised as follows:

(i) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel for the development of the Group's business; to provide additional incentive to the selected qualifying participants; and to promote the success of the business of the Group.

(ii) Qualifying participants

Any employee (full-time or part-time), Director, consultant or advisor of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.

(iii) Maximum number of shares

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme. The scheme mandate limit under the Share Option Scheme was refreshed by the ordinary resolution passed by the shareholders at the annual general meeting held on 31 May 2018 (the "2018 AGM") which enabled the grant of share options to subscribe for up to 6,352,539,705 shares, representing 10% of the shares in issue as at the date of the 2018 AGM. As at the date of this report, the total number of shares available for issue pursuant to the Share Option Scheme was 6,352,539,705, representing 10% of the shares in issue of the Company.

Notwithstanding the foregoing, the aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the shares in issue from time to time.

SHARE OPTION SCHEME *(Continued)*

(iv) Limit for each participant

The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period up to and including the date of grant to each participant must not exceed 1% of the shares in issue at anytime. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

(v) Option period

The period for the exercise of an option shall be determined by the Board in its absolute discretion at the time of granting an option, but in any event such period shall not exceed 10 years from the date of grant.

(vi) Acceptance and payment on acceptance

An offer for the options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer is HK\$1.00.

(vii) Subscription price

The subscription price shall be a price solely determined by the Board and notified to a qualifying participant and shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant.

(viii) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the adoption date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

Under the Share Option Scheme, the Board shall be entitled at any time within 10 years between 11 June 2013 and 10 June 2023 to offer an option to any qualifying participants.

Disclosure Information

SHARE OPTION SCHEME (Continued)

Details of movements during the six months ended 30 June 2018 in the share options granted under the Share Option Scheme were as follows:

Name of Directors	Number of share options					As at 30 June 2018	Grant date (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)	Exercise price HK\$
	As at 1 January 2018	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed/ Forfeited during the period				
Executive Directors									
Hu Xiaoyong	120,000,000	-	-	-	-	120,000,000	18/09/2017	18/09/2020 – 17/09/2027	0.199
	120,000,000	-	-	-	-	120,000,000	18/09/2017	18/09/2021 – 17/09/2027	0.199
	120,000,000	-	-	-	-	120,000,000	18/09/2017	18/09/2022 – 17/09/2027	0.199
	120,000,000	-	-	-	-	120,000,000	18/09/2017	18/09/2023 – 17/09/2027	0.199
	120,000,000	-	-	-	-	120,000,000	18/09/2017	18/09/2024 – 17/09/2027	0.199
Huang Weihua	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2020 – 17/09/2027	0.199
	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2021 – 17/09/2027	0.199
	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2022 – 17/09/2027	0.199
	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2023 – 17/09/2027	0.199
	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2024 – 17/09/2027	0.199
Wang Ye	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2020 – 17/09/2027	0.199
	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2021 – 17/09/2027	0.199
	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2022 – 17/09/2027	0.199
	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2023 – 17/09/2027	0.199
	80,000,000	-	-	-	-	80,000,000	18/09/2017	18/09/2024 – 17/09/2027	0.199
Wen Hui	6,000,000	-	-	-	-	6,000,000	18/09/2017	18/09/2020 – 17/09/2027	0.199
	6,000,000	-	-	-	-	6,000,000	18/09/2017	18/09/2021 – 17/09/2027	0.199
	6,000,000	-	-	-	-	6,000,000	18/09/2017	18/09/2022 – 17/09/2027	0.199
	6,000,000	-	-	-	-	6,000,000	18/09/2017	18/09/2023 – 17/09/2027	0.199
	6,000,000	-	-	-	-	6,000,000	18/09/2017	18/09/2024 – 17/09/2027	0.199
Independent non-executive Directors									
Li Fujun	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2020 – 17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2021 – 17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2022 – 17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2023 – 17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2024 – 17/09/2027	0.199
Xu Honghua	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2020 – 17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2021 – 17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2022 – 17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2023 – 17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2024 – 17/09/2027	0.199
Chiu Kung Chik	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2020 – 17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2021 – 17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2022 – 17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2023 – 17/09/2027	0.199
	2,000,000	-	-	-	-	2,000,000	18/09/2017	18/09/2024 – 17/09/2027	0.199
Grand Total	1,460,000,000	-	-	-	-	1,460,000,000			

SHARE OPTION SCHEME (Continued)

Notes:

1. The closing market price per ordinary share as at the date preceding the date on which the share options were granted and stated in the Stock Exchange's daily quotations sheet on 15 September 2017 was HK\$0.197.
2. The share options are subject to a vesting scale in five tranches of 20% each per annum starting from the third anniversary and will be fully vested in the seventh anniversary of the date of grant of 18 September 2017. Each tranche of the share options shall be exercisable on the condition that each participant has passed the performance assessment of the Company.
3. Share options to subscribe for 1,490,000,000 ordinary shares of the Company were granted to the Directors on 18 September 2017 under the Share Option Scheme, details of which are set out in the Company's announcement dated 18 September 2017. Apart from the lapse of share options to subscribe for 30,000,000 ordinary shares of the Company by Mr. Shi Xiaobei, an executive Director, on 25 September 2017, none of the share options of the Company was exercised, lapsed, cancelled or forfeited during the year ended 31 December 2017, and the number of outstanding share options of the Company under the Share Option Scheme as at 31 December 2017 was 1,460,000,000.

During the six months ended 30 June 2018, no share option was granted, exercised, lapsed, cancelled or forfeited under the Share Option Scheme.

CHANGES IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of the information of the Directors are as follows:

1. Mr. Hu Xiaoyong ceased to be the vice chairman of the China Environment Service Industry Association (全國工商聯環境服務業商會).
2. Mr. Wen Hui was appointed as vice president of 啟迪控股股份有限公司 (Tus-Holding Co., Ltd.*) with effect from 10 July 2018.

Save as disclosed above, after having made all reasonable enquiry, the Company is not aware of any other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the annual report of the Company for the year ended 31 December 2017 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2018.

Disclosure Information

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this report, details of the agreements (the "Agreement(s)") with covenants relating to specific performance of the controlling shareholder which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount (million)	Final Maturity	Specific performance obligations
1 November 2016	Term loan facility with a bank	HK\$1,000	November 2019	Note 1
23 December 2016	Finance lease facility with a financial institution	RMB295	December 2026	Note 2
23 December 2016	Finance lease facility with a financial institution	RMB241.87	December 2031	Note 2
23 December 2016	Finance lease facility with a financial institution	RMB83.5	December 2019	Note 2
23 December 2016	Finance lease facility with a financial institution	RMB103.8	December 2026	Note 2
23 December 2016	Finance lease facility with a financial institution	RMB220	December 2026	Note 2
18 September 2017	Term loan facilities with a syndicate of banks	HK\$1,780	September 2020	Note 1
12 October 2017	Revolving loan facility with a bank	HK\$800	On demand	Note 1
28 December 2017	Term loan facility with a bank	HK\$1,000	December 2020	Note 3
10 May 2018	Term loan facility with a bank	HK\$500	May 2021	Note 1
29 May 2018	Term loan facility with banks	USD100	May 2021	Note 1

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER *(Continued)*

Notes:

- (i) BEWG does not or ceases to own, directly or indirectly, at least 25% of the beneficial shareholding carrying at least 25% of the voting rights in the Company, free from mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect (each, a "Security"); (ii) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and/or does not or ceases to supervise the Company; (iii) BEHL does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BEWG, free from any Security; (iv) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG, and does not or ceases to (a) supervise BEWG; and/or (b) have management control over BEWG; (v) BE Group does not or ceases to own, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any Security; (vi) BE Group is not or ceases to be the, direct or indirect, single largest shareholder of BEHL and/or does not or ceases to supervise BEHL; and (vii) BE Group is not or ceases to be effectively wholly-owned, supervised and controlled by 北京市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality*).
- BEWG holds less than 27% of the ordinary shares of the Company directly or indirectly, or ceases to be the, direct or indirect, single largest shareholder of the Company.
- (i) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and/or does not or ceases to supervise the Company and/or have management control over the Company; (ii) BEHL does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BEWG, free from Security; (iii) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG, and/or does not or ceases to supervise BEWG and/or have management control over BEWG; (iv) BE Group does not or ceases to own, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any Security; (v) BE Group is not or ceases to be the, direct or indirect, single largest shareholder of BEHL, and/or does not or ceases to supervise BEHL; and (vi) BE Group is not or ceases to be wholly-owned, supervised and controlled by 北京市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality*).

According to the respective terms and conditions of the Agreements, the banks or the financial institutions may declare any commitment under the Agreements to be cancelled and/or declare all outstanding amounts together with interest accrued thereon and all others sums to be immediately due and payable or payable on demand for any breach of the above specific performance obligations.

Within the best knowledge of the Directors, none of the above events took place during the six months ended 30 June 2018 and up to the date of approval of these condensed consolidated financial statements.

Corporate Governance

THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance practices to enhance shareholders value and safeguard shareholders' interests. The Group's corporate governance principles emphasise the importance of a quality Board, effective risk management and internal control systems and accountability to all the shareholders of the Company. Throughout the six months ended 30 June 2018, in the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code, as amended from time to time, set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Li Fujun (the chairman of the Audit Committee), Mr. Xu Honghua and Mr. Chiu Kung Chik. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control of the Company. The interim results of the Group for the six months ended 30 June 2018 have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of the Listing Rules have been complied with, in the preparation of relevant results, and sufficient disclosures have been made.

* For identification purpose only