



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

(Stock Code 154)



2018

Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors:

Mr. E Meng (*Chairman*)
Mr. Ke Jian (*Vice Chairman and Chief Executive Officer*)
Ms. Sha Ning (*Vice President*)
Mr. Ng Kong Fat, Brian

Independent non-executive directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Wong Kwok Wai, Robin

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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18 Harbour Road
Wanchai
Hong Kong

WEBSITE

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

STOCK CODE

154

SHARE REGISTRARS

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

Ernst & Young

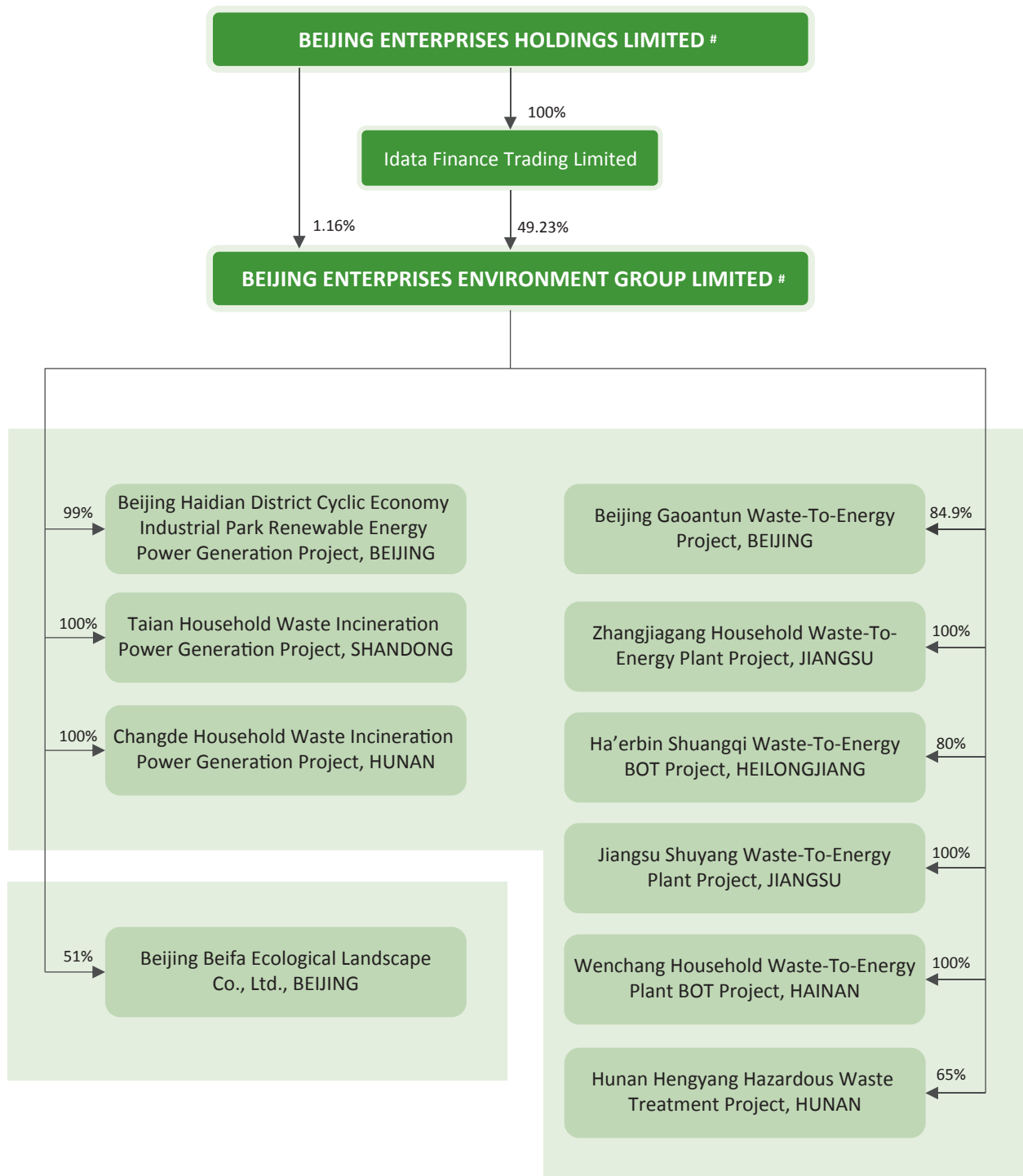
PRINCIPAL BANKERS

In Hong Kong:
Bank of China (Hong Kong)

In Mainland China:
Agricultural Bank of China
Bank of Beijing
Bank of China
China Construction Bank
China Minsheng Bank
Huaxia Bank
Industrial Bank

CORPORATE STRUCTURE

30 August 2018



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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the environmental protection business with the solid waste treatment as its core business. Currently, the Group has nine solid waste treatment projects, including eight household waste incineration power generation projects with total waste treatment capacity of 9,225 tonnes/day, and one hazardous and medical waste treatment project with waste treatment capacity of 35,000 tonnes/year.

Project Name	Region	Business Model	Waste treatment capacity
Household waste incineration power generation projects:			
• Haidian Project (北京市海澱區循環經濟產業園再生能源發電廠項目)	Beijing	BOT	2,100 tonnes/day
• Taian Project (泰安生活垃圾焚燒發電項目)	Shandong	BOO	800 tonnes/day
• Changde Project (常德市生活垃圾焚燒發電項目)	Hunan	BOT	1,400 tonnes/day
• Gaoantun Project (北京高安屯垃圾焚燒項目)	Beijing	BOT	1,600 tonnes/day
• Zhangjiagang Project (張家港市生活垃圾焚燒發電廠項目)	Jiangsu	BOO	900 tonnes/day
• Ha'erbin Project (哈爾濱雙琦垃圾焚燒發電項目)	Heilongjiang	BOT	1,600 tonnes/day
• Shuyang Project (江蘇省沭陽縣垃圾焚燒發電項目)	Jiangsu	BOT	600 tonnes/day
• Wenchang Project (文昌市生活垃圾焚燒發電廠項目)	Hainan	BOT	225 tonnes/day
Hazardous and medical waste treatment project:			
• Hengxing Project (湖南省衡陽危險廢物處置中心項目)	Hunan	BOT	35,000 tonnes/year

The Beijing Haidian Project treated 412,300 tonnes of waste in the first half of 2018, which generated 111.55 million kWh of on-grid electricity and began to generate stable operating profit for the Group.

The Phase II technical modifications and expansion of Hunan Changde Project has approached its completion stage. One grate furnace of household waste treatment capacity of 600 tonnes/day was newly constructed and put into trial operation in February 2018. For Phase II expansion (technical modifications) of Shandong Taian Project, two grate furnaces of household waste treatment capacity of 600 tonnes/day and one 12MW steam turbine generating unit were being replaced. At present, the construction progress of the project is about 80% complete and is expected to be put into trial operation by the end of the year. For Phase II expansion of Jiangsu Shuyang Project, one grate furnace of household waste treatment capacity of 600 tonnes/day and one 12MW steam turbine generating unit were newly constructed. At present, the construction progress of the project is about 83% complete and is expected to be put into trial operation in the first half of next year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In the first half of 2018, total household waste treatment volume of the Group's solid waste treatment projects was 1,727,500 tonnes (average 9,544 tonnes/day), increased by 34.5% as compared with last corresponding period of 1,284,000 tonnes. The hazardous and medical waste treatment volume was 10,600 tonnes, decreased by 43.6% as compared with last corresponding period of 18,800 tonnes. Total on-grid electricity was 441.58 million kWh, increased by 41.6% as compared with last corresponding period of 311.76 million kWh. Revenue from the solid waste treatment segment was HK\$546.69 million, EBITDA was HK\$223.71 million, increased by 28.6% and 10.6% respectively as compared with last corresponding period.

BUSINESS PROSPECT

The Group completed the acquisition of Beijing Xindi Garden Group Limited (北京鑫地園林集團有限公司) at the end of June 2018 and has now renamed as Beijing Beifa Ecological Landscape Co., Ltd. (北京北發生態園林有限公司) ("Beifa Landscape"). Beifa Landscape is engaged in landscaping construction and can broaden the business scope of the Group in environment protection. It is expected that its business will provide the Group guaranteed operating profit in the second half year.

With the commercial operation of our representative Beijing Haidian Project, it will improve the Group's overall capacity and market standing as a leading enterprise in the solid waste treatment industry in Beijing. The Phase II expansion and technical modifications of the household waste incineration power generation projects under the Group will be in successive completion and put into production. The household waste incineration capacity will increase to 10,225 tonnes/day within a short period of time and it will further improve the operating results and industrial competitiveness of the Group.

The Company has all along been seeking merger and acquisition opportunities in solid waste treatment industry and participate actively in tender projects to enhance the market standing and presence of the Company in solid waste treatment industry, so as to achieve "economies of scale" and improve the investment returns for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue and gross profit margin

During the six months ended 30 June 2018, the Group recorded revenue of HK\$546.69 million, increased by 28.6% as compared with revenue of HK\$425.01 million in the corresponding period of last year. The revenue derived from the solid waste treatment and sales of electricity and steam generated amounted to HK\$382.86 million, increased by 21.2% over the last corresponding period of HK\$315.80 million. The revenue derived from the construction and related services amounted to HK\$163.83 million, increased by 50.0% over the last corresponding period of HK\$109.21 million.

Gross profit amounted to HK\$161.49 million, increased by 14.7% over the last corresponding period of HK\$140.79 million, gross profit margin reduced from 33.1% to 29.5%.

	Revenue For the six months ended 30 June		Gross profit For the six months ended 30 June		Gross profit margin For the six months ended 30 June	
	2018 HK\$ million	2017 HK\$ million	2018 HK\$ million	2017 HK\$ million	2018 %	2017 %
Household waste treatment	97.98	95.60				
Hazardous and medical waste treatment	28.26	26.93				
Leachate, sludge and other treatments	13.98	9.05				
Sale of electricity	240.58	184.10				
Sale of steam	2.06	0.12				
	382.86	315.80	109.98	104.82	28.7	33.2
Construction and related services	163.83	109.21	51.51	35.97	31.4	33.0
	546.69	425.01	161.49	140.79	29.5	33.1

Other income and gains, net

The Group recorded other income and gains, net of HK\$64.48 million during the six months ended 30 June 2018, increased by HK\$30.16 million as compared to last corresponding period of HK\$34.32 million. The other income for the current period mainly comprised value added tax refund of HK\$37.42 million (2017: HK\$24.57 million), interest income of HK\$6.24 million (2017: HK\$5.90 million) and provisional gain on bargain purchase of Beifa Landscape of HK\$14.41 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2018 amounted to HK\$51.73 million, increased by 20.6% as compared with last corresponding period of HK\$42.91 million.

Other operating expenses, net

The Group's other operating expenses, net was mainly comprised the net foreign exchange loss of HK\$3.47 million recognised during the six months ended 30 June 2018.

Finance costs

The Group's finance costs for the six months ended 30 June 2018 decreased by 2.7% from HK\$30.91 million to HK\$30.06 million, which was mainly comprised interests on bank and other borrowings of HK\$19.41 million and imputed interest on convertible bonds issued to Idata Finance Trading Limited ("Idata"), the immediate holding company, of HK\$14.92 million. Interests on bank and other borrowings of HK\$4.26 million incurred for expansion construction have been capitalised in property, plant and equipment and operating concessions during the current period.

Income tax

The Group's income tax expense for the six months ended 30 June 2018 amounted to HK\$16.38 million, decreased by 31.0% as compared with last corresponding period of HK\$23.75 million. The Group's effective tax rate was 11.8% (2017: 23.8%).

EBITDA and profit for the period

EBITDA for the six months ended 30 June 2018 was HK\$231.53 million, increased by 16.8% or HK\$33.34 million as compared with last corresponding period of HK\$198.19 million.

Profit for the period amounted to HK\$122.40 million, increased by 61.1% or HK\$46.43 million as compared with last corresponding period of HK\$75.97 million. Profit for the period attributable to members of the Company amounted HK\$115.00 million, increased by 62.7% or HK\$44.32 million as compared with last corresponding period of HK\$70.68 million.

	EBITDA		Profit/(loss) for the period		Profit/(loss) for the period	
	For the six months		For the six months		attributable to members	
	2018	2017	2018	2017	2018	2017
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Solid waste treatment segment	223.71	202.35	131.32	100.17	123.91	94.86
Corporate and other segment	7.82	(4.16)	(8.92)	(24.20)	(8.91)	(24.18)
	231.53	198.19	122.40	75.97	115.00	70.68

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL POSITION

Except for (i) the acquisition of 51% equity interest in Beifa Landscape at a cash consideration of RMB29 million; and (ii) the expansion construction and technical modifications on certain existing household waste treatment plants, the Group had made no material investment, acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2018.

Total assets and total liabilities

As at 30 June 2018, the Group had total assets and total liabilities amounted to HK\$9,647.27 million and HK\$6,674.45 million, respectively, increased by HK\$364.75 million and HK\$194.03 million as compared with those as at 31 December 2017, respectively.

Property, plant and equipment

The net book value of the Group's property, plant and equipment was increased by HK\$105.07 million during the period.

Operating concessions

The increase in carrying value of the Group's operating concessions by HK\$44.52 million was mainly attributable to the expansion construction work of Changde Project and Shuyang Project.

Receivables under service concession arrangements

The Group's receivables under service concession arrangements was decreased by HK\$13.53 million during the period.

Trade and bills receivables

The increase in the Group's trade and bills receivables by HK\$202.99 million was mainly attributable to the receivable of on-grid electricity from the Haidian Project of HK\$131.13 million during its trial operation period, which have been fully settled in July 2018.

Bank and other borrowings

The Group's bank and other borrowings comprised bank loans of RMB113.45 million (repayable by instalments up to 2023) and other borrowings from a fellow subsidiary of the Company, 北京控股集團財務有限公司, of RMB658.22 million (repayable by instalments up to 2025). The weighted average interest rate of the Group's bank and other borrowings was 4.67% per annum.

Convertible bonds

The outstanding principal amount of the Company's non-interest-bearing convertible bonds issued to Idata of HK\$2,202.3 million was due in October 2021. For accounting purpose, the convertible bonds were bifurcated into liability component of HK\$2,103.02 million and equity component of HK\$147.03 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Deferred income

The Group's deferred income of HK\$175.29 million represented PRC government grants and subsidies on solid waste treatment business.

Trade payables

Included in the Group's trade payables the unbilled construction fees of HK\$335.24 million accounted for in accordance with the construction progress of the relevant projects.

Other payables and accruals

Included in the Group's other payables and accruals the amounts due to Idata of HK\$791 million and fellow subsidiaries of HK\$1,737.52 million, which are unsecured and non-interest-bearing.

Liquidity and financial resources

The Group adopts conservative treasury policies in cash management. As at 30 June 2018, the Group had cash and cash equivalents amounted to HK\$2,063.22 million (approximately 49.7% of which were denominated in Renminbi and 50.0% of which were denominated in Hong Kong dollars and United States dollars); interest-bearing Renminbi bank and other borrowings amounted to HK\$918.66 million; non-interest-bearing amounts due to Idata and certain fellow subsidiaries of the Company in aggregate amount of HK\$2,528.52 million; and non-interest-bearing convertible bonds (due in October 2021) issued to Idata in aggregate principal amount of HK\$2,202.3 million.

The Company has received undertaking from certain fellow subsidiaries not to demand repayment of the amounts due by the Group to them in aggregate amount of RMB1,350.00 million until such time when the Group is in a position to repay without impairing its liquidity and financial position.

As at 30 June 2018, the Group's current liabilities of HK\$3,327.89 million exceeded its current assets of HK\$2,663.07 million. In consideration of the stable cash recurring nature of solid waste treatment operations and the financial support of the holding company, the directors considered that the Group will be able to operate on a going concern basis and the Group has sufficient cash resources to finance its operations in the foreseeable future.

Key performance indicators

	For the six months ended 30 June	
	2018	2017
Gross profit margin	29.5%	33.1%
Operating profit margin	30.9%	30.7%
Net profit margin	22.4%	17.9%
Return on average equity	4.4%	3.2%
	30 June 2018	31 December 2017
Current ratio (<i>times</i>)	0.80	0.75
Debt ratio (<i>total debt/total assets</i>)	31.3%	39.8%
Gearing ratio (<i>net debt/total equity</i>)	32.2%	61.5%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital expenditure and commitment

During the six months ended 30 June 2018, the Group's total capital expenditures amounted to HK\$319.32 million, of which HK\$195.92 million was spent on construction and modification of waste treatment plants and HK\$123.40 million was spent on purchase of items of plant and equipment and other intangible assets. As at 30 June 2018, the Group has capital commitment for service concession arrangements amounted to HK\$302.00 million.

Charges on the Group's assets

As at 30 June 2018, save as (i) the Group's bank deposits of HK\$11.92 million are pledged as security deposits to the government authorities to obtain the permission for the construction of solid waste treatment plants; and (ii) the Group's land and buildings with a net carrying amount of HK\$52.15 million and the Group's trade receivables arising from the provision of solid waste treatment service with an aggregate net carrying amount of HK\$10.85 million are pledged for the Group's bank loans, the Group did not have any charges on the Group's assets.

Foreign exchange exposure

The Group's businesses are principally located in Mainland China and the majority of its transactions are conducted in Renminbi. As the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, any fluctuation of exchanges rates would impact the Group's net asset value. During the six months ended 30 June 2018, the losses arising on settlement or translation of monetary items of HK\$3.47 million (six months ended 30 June 2017: gains of HK\$1.10 million) are taken to the statement of profit or loss and the gains arising on retranslation of foreign operations of HK\$1.23 million (six months ended 30 June 2017: gains of HK\$103.12 million) are recognised in the exchange fluctuation reserve. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

Contingent liabilities

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

Save as disclosed above, as at 30 June 2018, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had 948 employees (31 December 2017: 942). Total staff cost for the six months ended 30 June 2018 amounted to HK\$86.43 million, increased by 18.4% as compared with HK\$73.02 million in the corresponding period in last year. The Group's remuneration policy and package are periodically reviewed and generally structured by reference to market terms and individual performance. Discretionary bonuses are awarded to certain employees according to the assessment of individual performance.

No share option was granted, exercised, lapsed or forfeited during the period under review. The Company has 37,620,000 share options outstanding as at 30 June 2018, which were granted on 21 June 2011 at an exercise price of HK\$1.25 per share and represented approximately 2.5% of the Company's ordinary shares in issue as at 30 June 2018.

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	5	546,687	425,006
Cost of sales		(385,198)	(284,220)
Gross profit		161,489	140,786
Other income and gains, net	5	64,478	34,318
Selling and distribution expenses		(788)	(803)
Administrative expenses		(51,727)	(42,906)
Other operating expenses, net		(4,716)	(1,056)
PROFIT FROM OPERATING ACTIVITIES	6	168,736	130,339
Finance costs	7	(30,062)	(30,909)
Share of profit of a joint venture		106	290
PROFIT BEFORE TAX		138,780	99,720
Income tax	8	(16,382)	(23,748)
PROFIT FOR THE PERIOD		122,398	75,972
ATTRIBUTABLE TO:			
Members of the Company		115,002	70,680
Non-controlling interests		7,396	5,292
		122,398	75,972
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY	10		
– Basic (HK cents)		7.66	4.71
– Diluted (HK cents)		3.53	2.10

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	122,398	75,972
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	1,321	110,001
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	123,719	185,973
ATTRIBUTABLE TO:		
Members of the Company	116,234	173,802
Non-controlling interests	7,485	12,171
	123,719	185,973

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		979,482	874,414
Investment property		50,000	50,000
Prepaid land lease payments		50,620	51,227
Goodwill		1,122,551	1,122,551
Operating concessions		2,527,434	2,482,910
Other intangible assets		128,333	131,185
Investment in a joint venture		6,693	6,587
Receivables under service concession arrangements	11	2,092,975	2,110,505
Prepayments, deposits and other receivables	13	2,575	4,000
Deferred tax assets		23,541	26,176
Total non-current assets		6,984,204	6,859,555
Current assets:			
Prepaid land lease payments		1,214	1,214
Inventories		33,144	23,415
Receivables under service concession arrangements	11	59,232	55,236
Trade and bills receivables	12	344,875	141,885
Amounts due from contract customers		1,217	–
Prepayments, deposits and other receivables	13	148,248	219,293
Pledged deposits		11,915	13,567
Cash and cash equivalents		2,063,221	1,968,351
Total current assets		2,663,066	2,422,961
TOTAL ASSETS		9,647,270	9,282,516

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2018

	Notes	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to members of the Company			
Share capital	14	2,227,564	2,227,564
Equity component of convertible bonds	15	147,029	158,687
Other reserves		294,842	166,950
		2,669,435	2,553,201
Non-controlling interests		303,387	248,892
TOTAL EQUITY		2,972,822	2,802,093
Non-current liabilities:			
Bank and other borrowings	16	789,488	712,762
Convertible bonds	15	2,103,024	2,088,670
Provision for major overhauls		5,178	5,178
Deferred income		175,294	175,293
Deferred tax liabilities		273,575	265,114
Total non-current liabilities		3,346,559	3,247,017
Current liabilities:			
Trade payables	17	495,520	424,723
Amounts due to contract customers		–	617
Other payables and accruals	18	2,665,039	1,850,208
Bank and other borrowings	16	129,167	99,762
Convertible bonds	15	–	790,436
Tax payables		38,163	67,660
Total current liabilities		3,327,889	3,233,406
TOTAL LIABILITIES		6,674,448	6,480,423
TOTAL EQUITY AND LIABILITIES		9,647,270	9,282,516

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to members of the Company									
	Share capital	Equity component of convertible bonds	Share option reserve	Capital reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits/(accumulated losses)	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	2,227,564	158,687	20,789*	12,180*	8,307*	11,552*	114,122*	2,553,201	248,892	2,802,093
Profit for the period	-	-	-	-	-	-	115,002	115,002	7,396	122,398
Other comprehensive income for the period:										
Exchange fluctuation reserve:										
Translation of foreign operations	-	-	-	-	1,232	-	-	1,232	89	1,321
Total comprehensive income for the period	-	-	-	-	1,232	-	115,002	116,234	7,485	123,719
Acquisition of a subsidiary (note 19)	-	-	-	-	-	-	-	-	47,010	47,010
Transfer of equity component of convertible bonds upon maturity (note 15)	-	(11,658)	-	-	-	-	11,658	-	-	-
Transfer to PRC reserve funds	-	-	-	-	-	6,470	(6,470)	-	-	-
At 30 June 2018	2,227,564	147,029	20,789*	12,180*	9,539*	18,022*	234,312*	2,669,435	303,387	2,972,822
At 1 January 2017	2,227,564	158,687	21,201	12,180	(217,503)	5,144	(70,190)	2,137,083	207,898	2,344,981
Profit for the period	-	-	-	-	-	-	70,680	70,680	5,292	75,972
Other comprehensive income for the period:										
Exchange fluctuation reserve:										
Translation of foreign operations	-	-	-	-	103,122	-	-	103,122	6,879	110,001
Total comprehensive income for the period	-	-	-	-	103,122	-	70,680	173,802	12,171	185,973
Transfer to PRC reserve funds	-	-	-	-	-	3,509	(3,509)	-	-	-
At 30 June 2017	2,227,564	158,687	21,201	12,180	(114,381)	8,653	(3,019)	2,310,885	220,069	2,530,954

* These reserve accounts comprise the consolidated other reserves of HK\$294,842,000 (31 December 2017: HK\$166,950,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	195,988	170,198
Mainland China income tax paid	(34,566)	(23,121)
Net cash flows from operating activities	161,422	147,077
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(117,225)	(77,119)
Additions of operating concessions	(79,458)	(103,881)
Acquisition of a subsidiary	25,749	–
Decrease in time deposits with maturity of more than three months when acquired	7,310	41,838
Decrease in pledged deposits	1,652	6,405
Interest received	4,634	5,903
Other cash flows used in investing activities, net	3,127	(277)
Net cash flows used in investing activities	(154,211)	(127,131)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	135,060	–
Repayment of bank loans	(8,095)	(3,068)
New other loans	29,762	56,818
Repayment of other loans	(50,595)	(11,364)
Interest paid	(19,408)	(18,400)
Net cash flows from financing activities	86,724	23,986
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	1,954,996	1,852,432
Effect of foreign exchange rate changes, net	8,245	38,171
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,057,176	1,934,535

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits		
Placed in banks	1,061,680	827,668
Placed in a financial institution	55,420	114,748
Time deposits	958,036	1,064,182
Less: Pledged deposits	(11,915)	(2,299)
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	2,063,221	2,004,299
Less: Time deposits with maturity of more than three months when acquired	(6,045)	(69,764)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	2,057,176	1,934,535

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. CORPORATE INFORMATION

Beijing Enterprises Environment Group Limited (the "Company") is a limited liability company incorporated in Hong Kong and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

During the six months ended 30 June 2018, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in (i) the solid waste treatment business which comprises the construction and operation of waste incineration plants, waste treatment and the sales of electricity and steam generated from waste incineration; and (ii) the landscaping business which comprises the construction, design, project survey and design and construction project management.

At 30 June 2018, the immediate holding company of the Company is Idata Finance Trading Limited ("Idata"), a limited liability company incorporated in the British Virgin Islands. Idata is a wholly-owned subsidiary of Beijing Enterprises Holdings Limited ("BEHL") whose shares are listed on the Main Board of the Stock Exchange. In the opinion of the directors of the Company, the ultimate holding company of the Company is 北京控股集團有限公司 ("BEGCL"), which is a state-owned enterprise established in the People's Republic of China (the "PRC") and is wholly owned by The State-owned Assets Supervision and Administration Commission of The People's Government of Beijing Municipality (the "Beijing SASAC").

2. BASIS OF PREPARATION

These 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, including compliance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2018 as disclosed in note 3 below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

In preparing the interim condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets as at 30 June 2018. Taking into account of internal resources and undertaking from certain fellow subsidiaries not to demand repayment of the amounts due by the Group to them until such time when the Group is in a position to repay without impairing its liquidity and financial position, the directors of the Company considered that the Group will be able to operate on a going concern basis. Accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.

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

For the six months ended 30 June 2018

2. BASIS OF PREPARATION *(CONTINUED)*

The financial information relating to the year ended 31 December 2017 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- (1) The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- (2) The Company's auditors have reported on the financial statements for the year ended 31 December 2017. The auditors' report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

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 to HKFRSs 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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 condensed consolidated financial statements of the Group. 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 and the comparative information is not restated with the transition adjustments against the opening balance of equity at 1 January 2018. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Except for certain debtors, 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, 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").

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 and the contractual terms of the instruments that meet the SPPI criterion.

At the date of initial application of HKFRS 9, that is 1 January 2018, the Group determined whether the objective of the Group's business model for managing any of its financial assets is to hold them in order to collect contractual cash flows or for collecting contractual cash flows and selling them. For that purpose, the Group determined whether the financial assets meet the definition of held for trading as if the Group had purchased the assets at 1 January 2018. The assessment of contractual terms of the debt instruments on whether the SPPI criterion is met 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 profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 9 *Financial Instruments* (continued)

(i) **Classification and measurement** (continued)

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 condensed consolidated financial statements on classification and measurement of its financial assets and financial liabilities.

(ii) **Impairment**

HKFRS 9 requires an impairment on trades and bills receivables, amounts due from contract customers, receivables under service concession arrangements 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 trade and bills receivables with no significant financing component and amounts due from contract customers. 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.

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 to all contracts that are not completed at the date of initial application. 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (continued)

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 disclosed for each reportable segment. Details of the disclosure on disaggregated revenue by geographical region and type of goods and services are set out in notes 4 and 5 to these condensed consolidated financial statements respectively.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Particulars of the Group's reportable operating segments are summarised as follows:

- (a) the solid waste treatment segment comprises the construction and operation of waste incineration plants, waste treatment and the sale of electricity and steam generated from waste incineration.
- (b) the corporate and others segment comprises landscaping, property investment and corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss for the period attributable to members of the Company, which is a measure of adjusted profit/loss for the period attributable to members of the Company. The adjusted profit/loss for the period attributable to members of the Company is measured consistently with the Group's profit/loss attributable to members of the Company.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The following tables present revenue, profit/loss, total assets and total liabilities regarding the Group's operating segments for the six months ended 30 June 2018 and 2017.

	Solid waste treatment (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2018			
Segment revenue	546,687	–	546,687
Cost of sales	(385,198)	–	(385,198)
Gross profit	161,489	–	161,489
Profit/(loss) from operating activities	161,669	(7,339)	154,330
Provisional gain on bargain purchase of a subsidiary	–	14,406	14,406
Finance costs	(15,144)	(14,918)	(30,062)
Share of profit of a joint venture	106	–	106
Profit/(loss) before tax	146,631	(7,851)	138,780
Income tax	(15,313)	(1,069)	(16,382)
Profit/(loss) for the period	131,318	(8,920)	122,398
Segment profit/(loss) attributable to members of the Company	123,913	(8,911)	115,002
Segment assets	8,297,492	1,349,778	9,647,270
Segment liabilities	3,151,055	3,523,393	6,674,448

During the six months ended 30 June 2018, the Group acquired property, plant and equipment with a total cost of HK\$123,298,000 (six months ended 30 June 2017: HK\$77,119,000). As at 30 June 2018, the land and building of HK\$52,150,000 (31 December 2017: Nil) in relation to a solid waste incineration plant are pledged to secure a bank loan granted to a subsidiary of the Group (note 16(b)).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

4. OPERATING SEGMENT INFORMATION (CONTINUED)

	Solid waste treatment (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2017			
Segment revenue	425,006	–	425,006
Cost of sales	(284,220)	–	(284,220)
Gross profit	140,786	–	140,786
Profit/(loss) from operating activities	135,237	(4,898)	130,339
Finance costs	(14,551)	(16,358)	(30,909)
Share of profit of a joint venture	290	–	290
Profit/(loss) before tax	120,976	(21,256)	99,720
Income tax	(20,801)	(2,947)	(23,748)
Profit/(loss) for the period	100,175	(24,203)	75,972
Segment profit/(loss) attributable to members of the Company	94,862	(24,182)	70,680
Segment assets	7,640,001	1,193,341	8,833,342
Segment liabilities	3,409,823	2,892,565	6,302,388

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the non-current assets (other than financial assets) of the Group are located in Mainland China. Accordingly, in the opinion of the directors of the Company, the presentation of geographical information would provide no additional useful information to the users of the interim financial statements.

Information about major customers

During the six months ended 30 June 2018, the Group had transactions with two external customers (six months ended 30 June 2017: three) from each of which the revenue derived accounted for over 10% of the Group's total revenue. The revenue generated from sales to each of these customers is set out below:

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Customer A	98,596 [#]	N/A
Customer B	57,854	57,338
Customer C	N/A	62,879 [#]
Customer D	N/A	46,325 [#]

[#] These amounts represented the deemed construction revenue from the provision of construction services to government authorities recognised according to HK(IFRIC) – 12 *Service Concession Arrangements*.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents an appropriate proportion of contract revenue of construction contracts and related services relating to solid waste treatment, income from household waste treatment, hazardous and medical waste treatment, leachate, sludge and other treatments, sale of electricity and steam, net of value added tax and government surcharges.

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		
Household waste treatment*	97,977	95,602
Hazardous and medical waste treatment	28,259	26,929
Leachate, sludge and other treatments	13,982	9,052
Sale of electricity	240,580	184,097
Sale of steam	2,059	122
Construction and related services*	163,830	109,204
	546,687	425,006
Other income		
Value added tax refund	37,418	24,567
Interest income	6,241	5,903
Rental income	1,503	1,452
Government grant#	3,492	522
Others	1,418	771
	50,072	33,215
Gains, net		
Provisional gain on bargain purchase of a subsidiary (note 19)	14,406	–
Foreign exchange differences, net	–	1,103
	14,406	1,103
Other income and gains, net	64,478	34,318

* Imputed interest income under service concession arrangements during the period amounting to HK\$46,627,000 (six months ended 30 June 2017: HK\$49,941,000) was included in the revenue derived from household waste treatment and construction and related services.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

6. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Depreciation	19,872	20,577
Amortisation of prepaid land lease payments*	600	580
Amortisation of operating concessions*	39,316	43,029
Amortisation of other intangible assets*	2,900	3,370
Foreign exchange difference, net	3,466	(1,103)

* The amortisation of prepaid land lease payments, operating concession and other intangible assets (excluding computer software amounting to HK\$126,000 (six months ended 30 June 2017: HK\$176,000)) are included in "Cost of sales" in the condensed consolidated statement of profit or loss.

7. 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 borrowings	19,408	18,400
Imputed interest on convertible bonds (note 15)	14,918	16,358
Total finance costs	34,326	34,758
Less: Interest capitalised in property, plant and equipment and operating concessions	(4,264)	(3,849)
	30,062	30,909

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit arising in Hong Kong for the six months ended 30 June 2018. No provision for Hong Kong profits tax was made for the six months ended 30 June 2017 as the Group did not generate any assessable profits arising in Hong Kong during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current –		
Hong Kong	64	–
Mainland China	12,878	20,011
Overprovision in prior periods	(7,526)	–
	5,416	20,011
Deferred	10,966	3,737
Total tax charge for the period	16,382	23,748

In accordance with the relevant tax laws in the PRC, certain subsidiaries of the Group which are engaged in the solid waste treatment business are exempted from corporate income tax for three years starting from the first year they generated revenue and granted a 50% tax reduction for the ensuing three years, and one of the certain subsidiaries is qualified for concessionary corporate income tax rate for a prescribed period of time.

9. 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).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

10. EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY

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

The calculations of the diluted earnings per share amounts are based on the profit for the period attributable to members of the Company and the weighted average number of ordinary shares in issue during the period, adjusted to reflect the effect of the exercise of all dilutive share options and the deemed conversion of all convertible bonds at the beginning of period.

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

	For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Profit for the period attributable to members of the Company, used in the basic earnings per share calculation	115,002	70,680
Imputed interest on convertible bonds (note 7)	14,918	16,358
Profit for the period attributable to members of the Company, used in the diluted earnings per share calculation	129,920	87,038
	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	1,500,360,150	1,500,360,150
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	4,579,944
Convertible bonds	2,177,114,849	2,648,938,053
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	3,677,474,999	4,153,878,147

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

11. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

An ageing analysis of the Group's receivables under service concession arrangements as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Unbilled:		
Current portion	59,232	55,236
Non-current portion	2,092,975	2,110,505
	2,152,207	2,165,741

Receivables under service concession arrangements were neither past due nor impaired. Such receivables were due from the grantors in respect of the Group's solid waste treatment and power generation operation. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there have not been a significant change in the credit quality and the balances are considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

12. TRADE AND BILLS RECEIVABLES

Various companies of the Group have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one to three months. An ageing analysis of the trade and bills receivables is regularly prepared and closely monitored in order to minimise any related credit risk. Trade and bills receivables are non-interest-bearing and the Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within 3 months	314,975	115,044
4 to 6 months	7,871	7,765
7 to 12 months	7,601	7,163
1 to 2 years	3,241	3,568
2 to 3 years	4,296	4,609
Over 3 years	6,891	3,736
	344,875	141,885

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

12. TRADE AND BILLS RECEIVABLES (CONTINUED)

As at 30 June 2018, the trade receivables of HK\$10,854,000 (31 December 2017: Nil) arising from the provision of household waste treatment service are pledged to secure a bank loan granted to a subsidiary of the Group (note 16(b)).

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Prepayments	37,892	34,258
Deposits and other receivables	116,985	193,079
Due from fellow subsidiaries	45	55
Due from a non-controlling equity holder	1,902	1,902
	156,824	229,294
Impairment	(6,001)	(6,001)
	150,823	223,293
Portion classified as current assets	(148,248)	(219,293)
	2,575	4,000

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

14. SHARE CAPITAL

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Issued and fully paid: 1,500,360,150 (31 December 2017: 1,500,360,150) ordinary shares	2,227,564	2,227,564

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

15. CONVERTIBLE BONDS

A summary of the movements in the principal amount, equity and liability components of the Company's convertible bonds during the six months ended 30 June 2018 is as follows:

	Current portion (Unaudited) HK\$'000 (note (a))	Non-current portion (Unaudited) HK\$'000 (note (b))	Total (Unaudited) HK\$'000
Principal amount outstanding			
At 1 January 2018	791,000	2,202,300	2,993,300
Transfer to amount due to the immediate holding company upon maturity (note 18)	(791,000)	–	(791,000)
At 30 June 2018	–	2,202,300	2,202,300
Liability component			
At 1 January 2018	790,436	2,088,670	2,879,106
Imputed interest expenses (note 7)	564	14,354	14,918
Transfer to amount due to the immediate holding company upon maturity (note 18)	(791,000)	–	(791,000)
At 30 June 2018	–	2,103,024	2,103,024
Equity component			
At 31 January 2018	11,658	147,029	158,687
Transfer to retained profits upon maturity	(11,658)	–	(11,658)
At 30 June 2018	–	147,029	147,029

Notes:

- (a) These convertible bonds were issued on 24 April 2014 and 29 December 2014 pursuant to the subscription agreement dated 15 September 2011 (as amended by the supplemental agreements in relation thereto) entered into between the Company, Idata as subscriber, and BEHL as guarantor. These convertible bonds had an initial conversion price of HK\$1.13 per ordinary share of the Company, bore no interest and were matured on 28 February 2018. As at 30 June 2018, the outstanding principal amount of these convertible bonds had not been settled and was included in amount due to the immediate holding company.
- (b) These convertible bonds were issued on 31 October 2016 pursuant to the sale and purchase agreement dated 31 March 2016 entered into between the Company and BEHL relating to the acquisition of equity interests in certain solid waste treatment projects. These convertible bonds have an initial conversion price of HK\$1.13 per ordinary share of the Company, bear no interest and will mature on 31 October 2021.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

16. BANK AND OTHER BORROWINGS

	Notes	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Bank Loans:			
Secured	(b)	135,060	–
Unsecured	(c)	–	8,095
		135,060	8,095
Other loans from a fellow subsidiary, unsecured	(d)	783,595	804,429
Total bank and other borrowings		918,655	812,524
Portion classified as current liabilities		(129,167)	(99,762)
Non-current portion		789,488	712,762

Notes:

- (a) The Group's bank and other borrowings were all denominated in RMB.
- (b) The Group's secured bank loan as at 30 June 2018 bears an interest at a floating lending rate of five years or above from the People's Bank of China plus margin and is secured by pledge over (i) the Group's land and buildings with a net carrying amount of HK\$52,150,000 and (ii) the Group's trade receivables arising from the provision of solid waste treatment service with an aggregate net carrying amount of HK\$10,854,000.
- (c) The Group's unsecured bank loans as at 31 December 2017 bore an interest at a floating lending rate of five years or above from the People's Bank of China plus margin and were guaranteed by a fellow subsidiary of the Company.
- (d) The Group's other loans from a fellow subsidiary of the Company, 北京控股集团財務有限公司 ("BG Finance", an authorised financial institution under China Banking Regulatory Commission), bore interest at floating lending rates of 94% to 100% of one to five years or above from the People's Bank of China.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

17. TRADE PAYABLES

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

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

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Billed:		
Less than 3 months	121,936	121,361
4 to 6 months	4,985	504
7 to 12 months	23,360	593
Over 1 year	9,995	9,577
	160,276	132,035
Unbilled	335,244	292,688
	495,520	424,723

Included in the unbilled trade payables of the Group as at 30 June 2018 is an amount of HK\$77,823,000 (31 December 2017: HK\$71,562,000) due to a non-controlling equity holder of a subsidiary. The balance arising from the transactions carried out in the ordinary course of business of the Group, and is unsecured, interest-free and repayable on credit term similar to those offered by the major suppliers to the Group.

18. OTHER PAYABLES AND ACCRUALS

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Receipts in advance	34,656	3,185
Other payables	80,138	66,997
Accruals	17,453	23,520
Due to the immediate holding company (note 15(a))	791,000	–
Due to fellow subsidiaries	1,737,517	1,753,743
Due to a joint venture	4,275	2,763
	2,665,039	1,850,208

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

18. OTHER PAYABLES AND ACCRUALS (CONTINUED)

The balances with the immediate holding company, fellow subsidiaries and a joint venture are unsecured, interest-free and repayable on demand, and certain fellow subsidiaries have undertaken not to demand repayment of the amounts due to them of RMB1,350,000,000 (equivalent to HK\$1,607,143,000) until such time when the Group is in a position to repay without impairing its liquidity and financial position.

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

19. BUSINESS COMBINATION

On 8 March 2018, the Company entered into a share purchase agreement with Mr. Du Qingjiang and Ms. Yang Lanhua (collectively the "Sellers"), pursuant to which the Company has conditionally agreed to acquire, and the Sellers have conditionally agreed to sell, a 51% equity interest in 北京鑫地園林集團有限公司 (subsequently renamed as 北京北發生態園林有限公司) ("Beifa Landscape") at a cash consideration of RMB29,000,000 (equivalent to approximately HK\$34,524,000) (the "Acquisition"). Beifa Landscape is principally engaged in landscaping construction, landscaping design, project survey and design and construction project management. Further details of the Acquisition are set out in the Company's announcement dated 8 March 2018.

The provisional fair values of the identifiable assets and liabilities of Beifa Landscape as at the date of acquisition were as follows:

	30 June 2018 (Unaudited) HK\$'000
Net assets acquired:	
Property, plant and equipment	6,073
Inventories	988
Trade receivables	4,189
Prepayments, deposits and other receivables	72,460
Cash and cash equivalents	25,749
Trade payables	(4,262)
Other payables and accruals	(9,257)
Total provisional identifiable net assets at fair value	95,940
Non-controlling interests	(47,010)
	48,930
Provisional gain on bargain purchase of a subsidiary (note 5)	(14,406)
Satisfied by cash	34,524

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

20. CONTINGENT LIABILITIES

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

Save as disclosed above, at 30 June 2018, the Group did not have any significant contingent liabilities.

21. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had capital commitments as follows:

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Contracted, but not provided for:		
Service concession arrangement on a BOO basis	186,443	323,190
Service concession arrangement on a BOT basis	115,558	96,139
	302,001	419,329

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

22. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in these interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

Name of related party	Nature of transactions	Notes	For the six months ended 30 June	
			2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
With fellow subsidiaries:				
北京北控宏創科技有限公司	Rental income [#]	(i)	1,503	1,452
BG Finance	Interest income [#]	(ii)	150	375
	Interest expense	(iii)	18,953	17,885
With a joint venture:				
Beijing Enterprises SITA Environmental Services Company Limited	Consultancy service fee	(iv)	1,276	3,828

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

Notes:

- (i) The rental income received from 北京北控宏創科技有限公司 in respect of Block 5, Beikong Hong Chuang Technology Park, Beijing, the PRC was mutually agreed between the parties under the property escrow agreement dated 31 August 2015 and was determined with reference to the prevailing market rent generally applicable to similar properties in the market. Further details of the transaction are set out in the announcement of the Company dated 1 September 2015.
- (ii) The interest received from BG Finance was mutually agreed between the parties under the deposit services master agreement dated 27 December 2017, pursuant to which the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time for the period from 1 January 2018 to 31 December 2020. The deposit rate will not be lower than (i) the minimum interest rate prescribed by the People's Bank of China; (ii) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group; and (iii) the interest rates offered by BG Finance to other members of BEGCL for the same type of deposits at the same period; and the cumulative daily outstanding deposit balance in Hong Kong dollars equivalent placed by the Group with BG Finance (including any interest accrued thereon) during the term of the agreement will not exceed HK\$73,800,000. The deposits placed by the Group with BG Finance as at 30 June 2018 amounted to HK\$55,420,000 (31 December 2017: HK\$44,309,000). Further details of the transaction are set out in the announcement of the Company dated 27 December 2017.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. RELATED PARTY DISCLOSURES (CONTINUED)**(a)** (continued)

Notes: (continued)

- (iii) The interest expenses were paid for loans obtained from BG Finance and the interest rates were mutually agreed with BG Finance which will not be higher than the interest rates prescribed by the People's Bank of China at the same period.
- (iv) The consultancy service fee paid to Beijing Enterprises SITA Environmental Services Company Limited was based on terms and conditions mutually agreed between the parties.

(b) Outstanding balances with related parties

- (i) Details of the Group's balances with the immediate holding company, fellow subsidiaries, a joint venture and non-controlling equity holders included in prepayments, deposits and other receivables, trade payables and other payables and accruals are disclosed in notes 13, 17 and 18 to the interim condensed consolidated financial statements, respectively.
- (ii) Details of the Group's cash deposits placed in and other loans borrowed from a fellow subsidiary as at the end of the reporting period are disclosed in notes 22(a)(ii) and 16(d) to the interim condensed consolidated financial statements, respectively.

(c) 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	7,275	5,471
Post-employment benefits	307	587
Total compensation paid to key management personnel	7,582	6,058

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

22. RELATED PARTY DISCLOSURES *(CONTINUED)*

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

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

23. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 30 June 2018 amounted to HK\$664,823,000 (31 December 2017: HK\$810,445,000) and HK\$6,319,381,000 (31 December 2017: HK\$6,049,110,000), respectively.

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2018.

DISCLOSEABLE INFORMATION

DIRECTORS

The directors of the Company during the six months ended 30 June 2018 and up to the date of this report were:

Executive directors:

Mr. E Meng	<i>(Chairman)</i>	
Mr. Ke Jian	<i>(Vice Chairman and Chief Executive Officer)</i>	
Ms. Sha Ning	<i>(Vice President)</i>	
Ms. Qin Xuemin	<i>(Vice President)</i>	<i>(resigned on 30 June 2018)</i>
Mr. Ng Kong Fat, Brian		

Independent non-executive directors:

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

CHANGES IN DIRECTORS' INFORMATION

Except for the disclosed, since the issue date of the Company's 2017 annual report, there has been no material change in the directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

At 30 June 2018, no director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the transactions with BEGCL and its subsidiaries, further details of which are set out in note 22 to the interim condensed consolidated financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transaction, arrangement or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the six months ended 30 June 2018.

DISCLOSEABLE INFORMATION *(CONTINUED)*

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2018 and up to the date of this report, the following directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:

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

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

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

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

DISCLOSEABLE INFORMATION (CONTINUED)

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

At 30 June 2018, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest		Total	Percentage of the Company's total number of issued shares
	Directly beneficially owned	Through a controlled corporation		
Mr. E Meng	601,000	–	601,000	0.04
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755 [#]	10,392,755	0.69
	2,201,000	8,792,755	10,993,755	0.73

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

Long positions in share options of the Company:

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

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

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

Save as disclosed above, as at 30 June 2018, none of the directors and chief executive had registered an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSEABLE INFORMATION *(CONTINUED)*

SHARE OPTION SCHEME

On 31 May 2011, a new share option scheme (the "Scheme") was adopted by the shareholders at the annual general meeting of the Company. The purpose of the Scheme is (i) to attract and retain the best quality personnel for the development of the Company's business; (ii) to provide incentives or rewards to eligible participants; and (iii) to promote the long term financial success of the Company by aligning the interests of grantees to shareholders. Eligible participants of the Scheme include (i) any person employed by the Company or a subsidiary of the Company and any person who is an officer or director (whether executive or non-executive) of the Company or any subsidiary of the Company; (ii) any non-executive director and any independent non-executive director or officer of any member of the Group; and (iii) any consultant of any member of the Group. The Scheme became effective on 31 May 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the number of ordinary shares of the Company in issue at any time. The maximum number of ordinary shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the ordinary shares of the Company in issue at any time. Any further grant of share options in excess of these limits is subject to shareholders' approval in a general meeting.

Share options granted to a director or chief executive of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the ordinary shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's ordinary shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after the acceptance of the share options or a certain vesting period, if any, and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of offer of the share options; and (ii) the average closing price of the Company's ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of offer.

The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The share options are non-transferrable and lapsed when expired or upon three months from the date of which the grantee ceased to be an employee, a director or a consultant of the Group.

DISCLOSEABLE INFORMATION *(CONTINUED)*

SHARE OPTION SCHEME *(CONTINUED)*

No share options were granted, exercised, lapsed or cancelled under the Scheme during the six months ended 30 June 2018. As at 30 June 2018 and the date of this interim report, there were total 37,620,000 share options outstanding under the Scheme, representing approximately 2.5% of the ordinary shares of the Company in issue.

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

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

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

Save as disclosed above, at no time during the six months ended 30 June 2018 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CONTRACT OF SIGNIFICANCE

Save as the transactions with BEGCL and its subsidiaries, further details of which are set out in note 22 to the interim condensed consolidated financial statements, no contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the six months ended 30 June 2018.

DISCLOSEABLE INFORMATION (CONTINUED)

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

At 30 June 2018, the following interests and short positions of 5% or more of share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

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

Notes:

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

Save as disclosed above, as at 30 June 2018, no person, other than the directors, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DISCLOSEABLE INFORMATION *(CONTINUED)*

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, save as disclosed below, the Company has complied with all the applicable code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2018.

- (1) Under Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation of a majority of directors entitled to present. However, the Company considers it is more efficient to hold board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the directors.
- (2) Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for non-executive directors to voice their views by individual communication with the chairman of the board.
- (3) Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, all existing non-executive directors of the Company are not appointed for a specific term but subject to retirement by rotation at the annual general meeting in accordance with the Company's articles of association.
- (4) Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, the independent non-executive directors of the Company were unable to attend the 2018 annual general meeting of the Company due to other business engagements.
- (5) Under Code Provision C.2.5, the issuer should have an internal audit function. During the period under review, the Company has not yet established a formal internal audit department. However, the Company considers the Group's existing risk management and internal control mechanisms are effective to safeguard the Group's assets and the shareholders' investment. In order to cope with the business expansion, a formalised internal audit functional department will be considered to establish in the future.
- (6) Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration and nomination committees to attend. However, the chairman of the board and the chairmen of the board committees were unable to attend the 2018 annual general meeting of the Company due to other business engagements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors of the Company. All the directors of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2018.

CORPORATE GOVERNANCE *(CONTINUED)*

AUDIT COMMITTEE

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

The Audit Committee has reviewed the interim results, financial positions, risk management, internal control, impacts of the new accounting standards and management issues of the Group during the six months ended 30 June 2018.

RISK MANAGEMENT AND INTERNAL CONTROL

The board of directors has overall responsibility for the Group's risk management and internal control systems and for reviewing their effectiveness. The Board will conduct regular review regarding internal control systems of the Group. The Company convened meeting periodically to discuss financial, operational and risk management control. During the six months ended 30 June 2018, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.