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

*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 154)**

**ANNOUNCEMENT OF FINAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**HIGHLIGHTS**

- Due to the decrease in revenue derived from construction services, the Group reported revenue from continuing operations for the year of HK\$402.47 million, representing a decrease of 68% as compared with last year.
- Gross profit from continuing operations for the year amounted to HK\$111.65 million, representing an increase of 32% as compared with last year.
- EBITDA from continuing operations for the year amounted to HK\$154.52 million, representing an increase of 18% over last year.
- Profit for the year attributable to members of the Company amounted to HK\$130.10 million, representing an increase of 56% over last year.
- Basic earnings per share for the year was HK8.67 cents.
- The Board does not recommend the payment of any dividend for the year.

The board (the “Board”) of directors (the “Directors”) of Beijing Enterprises Environment Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2016, together with comparative figures for the last year, as follows:

## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*Year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>CONTINUING OPERATIONS</b>			
REVENUE	5	<b>402,467</b>	1,246,706
Cost of sales		<u><b>(290,820)</b></u>	<u>(1,161,936)</u>
Gross profit		<b>111,647</b>	84,770
Other income and gains, net	5	<b>67,103</b>	52,832
Selling and distribution expenses		<b>(1,931)</b>	—
Administrative expenses		<b>(80,201)</b>	(31,251)
Other operating expenses, net		<u><b>5,289</b></u>	<u>(10,486)</u>
PROFIT FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS	6	<b>101,907</b>	95,865
Finance costs	7	<b>(14,257)</b>	(11,348)
Share of profit/(loss) of a joint venture		<u><b>1</b></u>	<u>(73)</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		<b>87,651</b>	84,444
Income tax	8	<u><b>(27,203)</b></u>	<u>(12,705)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<b>60,448</b>	71,739
<b>DISCONTINUED OPERATION</b>			
Profit for the year from a discontinued operation	9	<u><b>65,740</b></u>	<u>12,246</u>
PROFIT FOR THE YEAR		<u><b>126,188</b></u>	<u>83,985</u>

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
ATTRIBUTABLE TO:			
Members of the Company			
Continuing operations		<b>59,922</b>	71,498
Discontinued operation		<b>70,179</b>	11,785
		<b>130,101</b>	83,283
Non-controlling interests		<b>(3,913)</b>	702
		<b>126,188</b>	83,985
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY			
	<i>10</i>		
– Basic ( <i>HK cents</i> )			
For profit for the year		<b>8.67</b>	5.56
For profit from continuing operations		<b>3.99</b>	4.77
– Diluted ( <i>HK cents</i> )			
For profit for the year		<b>5.44</b>	4.27
For profit from continuing operations		<b>2.67</b>	3.74

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*Year ended 31 December 2016*

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
PROFIT FOR THE YEAR		<u><b>126,188</b></u>	<u>83,985</u>
OTHER COMPREHENSIVE LOSS			
Items to be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
– Translation of foreign operations		<b>(197,408)</b>	(66,226)
– Release upon disposal of subsidiaries during the year	9	<u><b>(37,289)</b></u>	<u>(2,425)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		<u><b>(234,697)</b></u>	<u>(68,651)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u><u><b>(108,509)</b></u></u>	<u><u>15,334</u></u>
ATTRIBUTABLE TO:			
Members of the Company		<b>(97,523)</b>	16,474
Non-controlling interests		<u><b>(10,986)</b></u>	<u>(1,140)</u>
		<u><u><b>(108,509)</b></u></u>	<u><u>15,334</u></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*31 December 2016*

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
<b>ASSETS</b>			
Non-current assets:			
Property, plant and equipment		<b>743,847</b>	218,829
Investment properties		<b>86,091</b>	93,592
Prepaid land lease payments		<b>48,945</b>	24,359
Goodwill		<b>1,122,551</b>	160,161
Operating concessions		<b>2,009,485</b>	711,820
Other intangible assets		<b>128,026</b>	95,211
Investment in a joint venture		<b>5,895</b>	5,894
Receivables under service concession arrangements	<i>11</i>	<b>1,989,998</b>	690,395
Prepayments, deposits and other receivables		<b>21,608</b>	2,278
Deferred tax assets		<b>24,937</b>	2,629
Total non-current assets		<b>6,181,383</b>	2,005,168
Current assets:			
Prepaid land lease payments		<b>1,134</b>	–
Inventories		<b>18,184</b>	3,913
Receivables under service concession arrangements	<i>11</i>	<b>46,801</b>	6,443
Trade and bills receivables	<i>12</i>	<b>152,383</b>	28,890
Prepayments, deposits and other receivables		<b>52,830</b>	16,522
Pledged deposits		<b>8,704</b>	–
Cash and cash equivalents		<b>1,960,314</b>	1,862,369
		<b>2,240,350</b>	1,918,137
Assets of disposal groups classified as held for sale		<b>–</b>	342,193
Total current assets		<b>2,240,350</b>	2,260,330
<b>TOTAL ASSETS</b>		<b>8,421,733</b>	4,265,498

	<i>Note</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to members of the Company			
Share capital		<b>2,227,564</b>	2,225,723
Equity component of convertible bonds		<b>158,687</b>	11,658
Other reserves		<b>(249,168)</b>	(163,113)
		<b>2,137,083</b>	2,074,268
Non-controlling interests		<b>207,898</b>	24,657
<b>TOTAL EQUITY</b>		<b>2,344,981</b>	2,098,925
Non-current liabilities:			
Bank and other borrowings		<b>661,689</b>	–
Convertible bonds		<b>2,846,457</b>	783,385
Provision for major overhauls		<b>3,878</b>	–
Deferred income		<b>160,115</b>	–
Deferred tax liabilities		<b>237,853</b>	67,671
<b>Total non-current liabilities</b>		<b>3,909,992</b>	851,056
Current liabilities:			
Trade payables	13	<b>292,583</b>	1,010,695
Other payables and accruals		<b>1,767,108</b>	58,296
Bank and other borrowings		<b>73,555</b>	–
Tax payables		<b>33,514</b>	17,299
		<b>2,166,760</b>	1,086,290
Liabilities directly associated with assets classified as held for sale		<b>–</b>	229,227
<b>Total current liabilities</b>		<b>2,166,760</b>	1,315,517
<b>TOTAL LIABILITIES</b>		<b>6,076,752</b>	2,166,573
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,421,733</b>	4,265,498

*Notes:*

## **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.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 18 July 2016 and approved by the Registrars of Companies of Hong Kong on 22 July 2016, the English name of the Company was changed from “Beijing Development (Hong Kong) Limited” to “Beijing Enterprises Environment Group Limited” and the Chinese name of the Company was changed from “北京發展(香港)有限公司” to “北京控股環境集團有限公司”.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally involved in (a) 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 (b) the information technology (“IT”) business which comprises the provision of IT related services, which included system integration, the construction of information networks and sale of related equipment, the provision of IT technical support and consultation services and the development and sale of software (disposed of during the year and classified as a discontinued operation, note 9).

At 31 December 2016, 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, the ultimate holding company of the Company is 北京控股集團有限公司 (“BEGCL”), which is a state-owned enterprise established in the People’s Republic of China (the “PRC”) and is wholly owned by The State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality.

## **2. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. Disposal groups held for sale are stated at the lower of its carrying amount and fair values less costs to sell. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information relating to the years ended 31 December 2016 and 2015 included in this announcement of annual results 2016 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for the year ended 31 December 2015. The auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus



or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised standards for the first time for the current year's financial statements.

Amendments HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012–2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above revised standards has no significant financial effect on these financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

### 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 IT segment comprises the sale of IT related products, the provision of system integration and maintenance services and software development (disposed of during the year and classified as a discontinued operation, note 9).
- (c) the corporate and others segment comprises property investment and corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about 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 from continuing operations. The adjusted profit/(loss) for the period attributable to members of the Company from continuing operations is measured consistently with the Group's profit/(loss) attributable to members of the Company from continuing operations.

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

The following tables present revenue, profit/(loss), total assets and total liabilities regarding the Group's operating segments for the years ended 31 December 2016 and 2015.

	Continuing operations			Discontinued operation	
	Solid waste treatment HK\$'000	Corporate and others HK\$'000	Sub-total HK\$'000	IT HK\$'000	Total HK\$'000
Year ended 31 December 2016					
Segment revenue	402,467	–	402,467	14,747	417,214
Cost of sales	(290,820)	–	(290,820)	(16,560)	(307,380)
Gross profit/(loss)	111,647	–	111,647	(1,813)	109,834
Profit/(loss) from operating activities	124,142	(22,235)	101,907	(13,999)	87,908
Gain on disposal of a subsidiary	–	–	–	80,970	80,970
Finance costs	(6,456)	(7,801)	(14,257)	(27)	(14,284)
Share of profits and losses of joint ventures	1	–	1	(1,204)	(1,203)
Profit/(loss) before tax	117,687	(30,036)	87,651	65,740	153,391
Income tax	(25,544)	(1,659)	(27,203)	–	(27,203)
Profit/(loss) for the year	92,143	(31,695)	60,448	65,740	126,188
Segment profit/(loss) attributable to members of the Company	91,566	(31,644)	59,922	70,179	130,101
Year ended 31 December 2015					
Segment revenue	1,246,706	–	1,246,706	219,956	1,466,662
Cost of sales	(1,161,936)	–	(1,161,936)	(183,190)	(1,345,126)
Gross profit	84,770	–	84,770	36,766	121,536
Profit from operating activities	88,161	7,704	95,865	1,501	97,366
Gain on disposal of a subsidiary	–	–	–	10,937	10,937
Finance costs	–	(11,348)	(11,348)	(1,020)	(12,368)
Share of profits and losses of:					
Joint ventures	(73)	–	(73)	786	713
Associates	–	–	–	42	42
Profit/(loss) before tax	88,088	(3,644)	84,444	12,246	96,690
Income tax	(11,716)	(989)	(12,705)	–	(12,705)
Profit/(loss) for the year	76,372	(4,633)	71,739	12,246	83,985
Segment profit/(loss) attributable to members of the Company	76,018	(4,520)	71,498	11,785	83,283

### 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, the presentation of geographical information would provide no additional useful information to the users of the financial statements.

### Information about major customers

During the year, the Group had transactions with three external customers (2015: one) which individually accounted for over 10% of the Group's total revenue from continuing operations. The revenue from continuing operations generated from sales to each of these customers is set out below:

	2016 HK\$'000	2015 HK\$'000
Customer A	163,414 <sup>#</sup>	1,077,869 <sup>#</sup>
Customer B	60,230	N/A
Customer C	41,558	N/A

<sup>#</sup> These amounts represented the deemed construction revenue from the provision of construction services to a government authority recognised according to HK(IFRIC) – 12 Service Concession Arrangements.

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

## 5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents an appropriate proportion of contract revenue of construction contracts relating to solid waste treatment, income from solid waste treatment services, sales of electricity and steam, net of value added tax and government surcharges.

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

	2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>		
Household waste treatment*	73,575	49,502
Hazardous and medical waste treatment	8,634	–
Sale of electricity	153,395	117,179
Sale of steam	1,704	2,156
Construction and related services*	165,159	1,077,869
	<b>402,467</b>	<b>1,246,706</b>

	2016 HK\$'000	2015 HK\$'000
<b>Other income</b>		
Interest income	9,639	11,381
Value added tax refund	18,153	2,733
Government grants <sup>#</sup>	5,309	—
Rental income	3,037	523
Others	1,815	188
	<u>37,953</u>	<u>14,825</u>
<b>Gains, net</b>		
Fair value gain on investment properties, net	—	9,158
Gain on disposal of an item of other intangible asset	—	1,625
Foreign exchange differences, net	29,150	27,224
	<u>29,150</u>	<u>38,007</u>
Other income and gains, net	<u>67,103</u>	<u>52,832</u>

\* *Imputed interest income under service concession arrangements during the year amounting to HK\$44,831,000 (2015: HK\$16,417,000) were included in the revenue derived from household waste treatment services and construction and related services.*

<sup>#</sup> *The government grant recognised by the Group during the year represented subsidies received from certain government authorities as incentives to promote and accelerate development in the local province.*

## 6. PROFIT FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS

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

	2016 HK\$'000	2015 HK\$'000
Cost of raw materials consumed	60,006	42,008
Cost of waste treatment services rendered	65,113	34,570
Cost of construction services	116,216	1,051,013
Depreciation	20,028	14,264
Amortisation of prepaid land lease payments	644	589
Amortisation of operating concessions	27,374	16,215
Amortisation of other intangible assets	4,562	4,527
	<u>234,943</u>	<u>1,263,486</u>

## 7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2016 HK\$'000	2015 HK\$'000
Interest on bank and other borrowings	6,424	–
Interest on convertible bonds	–	7,910
Imputed interest on convertible bonds	7,801	3,438
	<hr/>	<hr/>
Total interest expenses	14,225	11,348
Increase in discounted amounts of provision for major overhauls arising from the passage of time	32	–
	<hr/>	<hr/>
Total finance costs	<u>14,257</u>	<u>11,348</u>

## 8. INCOME TAX

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 year (2015: Nil). 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.

	2016 HK\$'000	2015 HK\$'000
Current – Mainland China		
Charge for the year	9,371	6,435
Under/(over)-provision in prior years	1,883	(663)
	<hr/>	<hr/>
	11,254	5,772
Deferred – Mainland China	15,949	6,933
	<hr/>	<hr/>
Total tax charge for the year	<u>27,203</u>	<u>12,705</u>

## 9. DISCONTINUED OPERATION

The Group plans to focus its resources on its solid waste treatment business and had decided to cease its IT business in prior years. The Group's business in IT segment was mainly undertaken by the subsidiaries of B E Information Technology Group Limited ("BEITG") and Business Net (Hong Kong) Limited ("BNHK"), both were indirectly-owned subsidiaries of the Company.

On 23 December 2014, Prime Technology Group Limited ("PTG"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with a fellow subsidiary of the Company, Beijing Enterprises Group Information Limited ("BEGIL", a wholly-owned subsidiary of BEGCL), pursuant to which PTG conditionally agreed to dispose of its 72% equity interest in BEITG and its subsidiaries (collectively, the "BEITG Group") and the shareholders' loans owed by the BEITG Group to the Company for a total cash consideration of HK\$126,000,000 (the "BEITG Disposal"). The BEITG Disposal was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 19 May 2015 and was completed in March 2016. Further details of the BEITG Disposal are set out in the circular of the Company dated 23 April 2015.

On 9 October 2014 and 7 August 2015, Business Net Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement and an equity transfer supplemental agreement, respectively, with independent third parties for the disposal of its 60% equity interest in BNHK and its subsidiary and the shareholder's loan owed by BNHK to the Company at a total cash consideration of HK\$13,000,000 (the "BNHK Disposal"). The BNHK Disposal was completed in August 2015.

The BEITG Group was classified as a disposal group held for sale as at 31 December 2015 and the IT segment was classified as a discontinued operation for the years ended 31 December 2016 and 2015.

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Net assets disposed of:		
Property and equipment	<b>5,503</b>	252
Other intangible assets	<b>980</b>	–
Investment in a joint venture	<b>11,227</b>	–
Investments in associates	<b>2,887</b>	–
Inventories	<b>7,633</b>	236
Amounts due from contract customers	<b>833</b>	–
Trade receivables	<b>76,616</b>	718
Prepayments, deposits and other receivables	<b>69,793</b>	1,298
Pledged deposits	<b>12,134</b>	–
Cash and cash equivalents	<b>107,412</b>	6,283
Trade and bills payable	<b>(71,577)</b>	(686)
Amount due to contract customers	<b>(319)</b>	–
Bank loans	<b>(6,024)</b>	–
Other payables and accruals	<b>(116,965)</b>	(20,846)
Non-controlling interests	<b>(18,571)</b>	17,220
	<b>81,562</b>	4,475
Exchange fluctuation reserve realised	<b>(37,289)</b>	(2,425)
Transaction costs	<b>757</b>	13
Gain on disposal of subsidiaries, included in a discontinued operation	<b>80,970</b>	10,937
Satisfied by cash	<b>126,000</b>	13,000

The results of a discontinued operation dealt with in the consolidated financial statements for the years ended 31 December 2016 and 2015 are summarised as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	<b>14,747</b>	219,956
Other income and gains, net	<b>225</b>	5,365
Cost of sales and operating expenses	<u><b>(28,998)</b></u>	<u>(224,840)</u>
	<b>(14,026)</b>	481
Share of profits and losses of		
A joint venture	<b>(1,204)</b>	786
Associates	<u>–</u>	<u>42</u>
Profit/(loss) before tax	<b>(15,230)</b>	1,309
Income tax	<u>–</u>	<u>–</u>
Profit/(loss) for the year	<b>(15,230)</b>	1,309
Gain on disposal of a discontinued operation, net of income tax of nil	<u><b>80,970</b></u>	<u>10,937</u>
Profit for the year from a discontinued operation	<u><b>65,740</b></u>	<u>12,246</u>
Attributable to:		
Members of the Company	<b>70,179</b>	11,785
Non-controlling interests	<u><b>(4,439)</b></u>	<u>461</u>
	<u><b>65,740</b></u>	<u>12,246</u>

#### 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 year attributable to members of the Company and the profit from continuing operations attributable to members of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculations of the diluted earnings per share amounts are based on the profit for the year attributable to members of the Company, the profit from continuing operations attributable to members of the Company and the weighted average number of ordinary shares in issue, 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 the year.

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>For profit for the year</b>		
Profit for the year attributable to members of the Company, used in the basic earnings per share calculation	<b>130,101</b>	83,283
Interest on convertible bonds	<u><b>7,801</b></u>	<u>11,348</u>
Profit for the year attributable to members of the Company, used in the diluted earnings per share calculation	<u><b>137,902</b></u>	<u>94,631</u>
<b>For profit for the year from continuing operations</b>		
Profit for the year from continuing operations attributable to members of the Company, used in the basic earnings per share calculations	<b>59,922</b>	71,498
Interest on convertible bonds	<u><b>7,801</b></u>	<u>11,348</u>
Profit for the year from continuing operations attributable to members of the Company, used in the diluted earnings per share calculations	<u><u><b>67,723</b></u></u>	<u><u>82,846</u></u>
	<b>2016</b>	2015
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculations	<b>1,500,341,024</b>	1,498,022,890
Effect of dilution – weighted average number of ordinary shares:		
Shares options	<b>7,590,718</b>	17,552,955
Convertible bonds	<u><b>1,024,823,009</b></u>	<u>700,000,000</u>
Weighted average number of ordinary shares, used in the diluted earnings per share calculations	<u><u><b>2,532,754,751</b></u></u>	<u><u>2,215,575,845</u></u>



## 11. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

An aged 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Unbilled:		
Current portion	46,801	6,443
Non-current portion	1,989,998	690,395
	<u>2,036,799</u>	<u>696,838</u>

## 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 six months. An aged 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 aged 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 3 months	120,564	23,728
4 to 6 months	14,548	90
7 to 12 months	10,236	123
1 to 2 years	2,515	3,771
2 to 3 years	2,543	1,178
Over 3 years	1,977	–
	<u>152,383</u>	<u>28,890</u>

### 13. TRADE PAYABLES

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

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

	2016 HK\$'000	2015 HK\$'000
Billed:		
Less than 3 months	25,111	6,638
4 to 6 months	3,127	109
7 to 12 months	679	171
Over 1 year	20,193	765
	49,110	7,683
Unbilled	243,473	1,003,012
	292,583	1,010,695

### 14. BUSINESS COMBINATION

On 31 March 2016, the Company entered into a sale and purchase agreement with BEHL, pursuant to which the Company has conditionally agreed to acquire and BEHL has conditionally agreed to sell (i) the entire issued share capital of Golden State Waste Management Corporation ("GSWM"); (ii) 80% equity interest in 哈爾濱市雙琦環保資源利用有限公司 (Ha'erbin Shuangqi Renewable Resources Co., Ltd.\*); (iii) 100% equity interest in 北控環境再生能源沅陽有限公司 (Beikong Environment Renewable Energy Shuyang Co., Ltd.\*); (iv) 100% equity interest in 北控環境(文昌)再生能源有限公司 (Beikong Environment (Wenchang) Renewable Energy Co., Ltd.\*); and (v) 65% equity interest in 湖南衡興環保科技開發有限公司 (Hunan Hengxing Environment Science and Technology Development Co., Ltd.\*) (the "Acquired Companies") at an aggregate consideration of RMB1,850,000,000 (equivalent to HK\$2,202,300,000), which will be satisfied by the issue of new convertible bonds with initial conversion price of HK\$1.13 per share (the "Acquisition"). The Acquisition was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 18 July 2016 and completed on 31 October 2016. Further details of the Acquisition are set out in the circular of the Company dated 24 June 2016.

GSWM directly owns (i) 84.896% equity interest in 北京高安屯垃圾焚燒有限公司 (Beijing Gaoantun Waste-to-Energy Co., Ltd.\*); and (ii) 100% equity interest in 張家港金州再生能源有限公司 (Zhangjiagang Golden State Waste-to-Energy Co., Ltd.\*). The principal activities of the Acquired Companies and their subsidiaries are the investment in, and operation of five household waste incineration projects and one hazardous waste and medical waste treatment project in the PRC.

(\* For identification purposes only)

The fair value of the identifiable assets and liabilities of the Acquired Companies as at the date of acquisition were as follows:

	<b>2016</b>
	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	498,414
Prepaid land lease payments	29,203
Operating concessions	1,319,216
Other intangible assets	44,890
Deferred tax assets	25,971
Inventories	13,057
Receivables under service concession arrangements	1,385,947
Trade and bills receivables	165,118
Prepayments, deposits and other receivables	472,374
Pledged deposits	43,633
Cash and cash equivalents	189,436
Trade payables	(228,133)
Other payables and accruals	(1,228,534)
Bank and other borrowings	(937,958)
Tax payables	(10,799)
Provision for major overhauls	(3,860)
Deferred income	(161,506)
Deferred tax liabilities	(168,412)
	<hr/>
Total identifiable net assets at fair value	1,448,057
Non-controlling interests	(208,147)
	<hr/>
	1,239,910
Goodwill on acquisition	962,390
	<hr/>
Satisfied by issue of new convertible bonds of the Company as consideration	2,202,300
	<hr/> <hr/>

#### **15. OTHER FINANCIAL INFORMATION**

The net current assets and total assets less current liabilities of the Group as at 31 December 2016 amounted to HK\$73,590,000 (2015: HK\$944,813,000) and HK\$6,254,973,000 (2015: HK\$2,949,981,000) respectively.

## DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2015: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year under review, the Group completed the acquisition of (i) five household waste incineration projects, namely Gaoantun Project (北京高安屯垃圾焚燒項目), Zhangjiagang Project (張家港市生活垃圾焚燒發電廠項目), Ha'erbin Project (哈爾濱雙琦垃圾焚燒發電項目), Shuyang Project (江蘇省沭陽縣垃圾焚燒發電項目) and Wenchang Project (文昌市生活垃圾焚燒發電廠項目); and (ii) one hazardous and medical waste treatment project, namely Hengxing Project (湖南省衡陽危險廢物處置中心項目) (the "Six New Projects").

	Number of projects		Waste treatment capacity	
	2016	2015	2016	2015
Household waste incineration:				
In operation	7	2	6,925	2,000 tonnes/day
In construction	1	1	2,500	2,500 tonnes/day
Hazardous and medical waste treatment:				
In operation	1	–	35,000	– tonnes/year

### The Six New Projects

Following the completion of Phase II construction of Ha'erbin Project in May 2016, the annual household waste and hazardous and medical waste handled by the Six New Projects for the year were 1,942,239 tonnes and 24,075 tonnes, respectively, both increased by 26% as compared with last year. On-grid electricity was 477.57 million kWh, increased by 27% as compared with last year. Annual revenue was decreased by 14% to HK\$604.85 million as a result of the reduction of construction works of Ha'erbin Project. Annual EBITDA was HK\$321.74 million, increased by 10% as compared with last year. The above information represented the full year result of the Six New Projects, of which only two months result was attributable to the Group during the year.

## Taian Project and Changde Project

With the increasing demand of waste treatment capacities and environmental standards, the Group has commenced expansion programs and technical modifications for both Taian Project (山東泰安生活垃圾焚燒發電項目) and Changde Project (常德市生活垃圾焚燒發電項目) during the year. The civil construction works of two production lines for Taian Project each equipped a grate furnace of waste treatment capacity of 600 tonnes/day are in progress. The furnaces of Changde Project have been shut down intermittently for overhaul maintenance during the first half of the year and the government approvals for construction of an additional production line for Changde Project equipped with a grate furnace of waste treatment capacity of 600 tonnes/day are basically completed.

The household waste handled by Taian Project and Changde Project for the year was 717,988 tonnes, increased by 8% as compared with last year. On-grid electricity was 158.78 million kWh, decreased by 2% as compared with last year. Annual revenue was decreased by 11% to HK\$149.58 million and EBITDA was increased by 5% to HK\$80.21 million.

An analysis of the performance of the Group's waste treatment plants in operation (attributable to the Group from the date of acquisition to the end of the year for the Six New Projects) is as follow:

	2016	2015	Change
Household waste handled ( <i>tonnes</i> )	1,052,173	662,498	59%
Hazardous and medical waste handled ( <i>tonnes</i> )	7,203	—	
On-grid electricity ( <i>million kWh</i> )	240.52	155.13	55%

## Haidian Project

The Group has invested RMB925 million in Haidian Project (北京市海澱區循環經濟產業園再生能源發電廠項目) since the end of 2014. Haidian Project is a high quality and signatory household waste treatment plant in Beijing. Going through detailed and comprehensive testing and commissioning stage over the year, including three incineration lines of daily treatment capacity of 600 tonnes, two 20MW grate furnaces, flue gases, fly ash and leachate treatment systems, Haidian Project is expected to commence its trial operation in few months. The Company has established a joint venture with Suez Environment Group for providing operation, maintenance and management services to Haidian Project.

## Discontinued Operation

As another part of the strategic transformation, the Group has ultimately completed the disposal of its information technology business segment during the year. In March 2016, the Company has completed the disposal of its 72% equity interest in B E Information Technology Group Limited and its subsidiaries (principally engaged in the provision of information technology related services) and its shareholders' loans for a total cash consideration of HK\$126 million.

## BUSINESS PROSPECT

In consideration of the full year operating results of the Six New Projects in 2017, the commencement of operation of Haidian Project later in 2017, the completion of the expansion construction works of Taian Project and Changde Project in 2018 and the construction plan of phase II of Shuyang Project, the financial performance of the Company will have significant growth in foreseeable future.

Meanwhile, the Company has been seeking for tenders and merger and acquisition opportunities in solid waste treatment business (including the existing solid waste treatment projects owned by its holding company, Beijing Enterprises Holdings Limited, and its subsidiaries in Mainland China) with a view to solidify the position of the Company in solid waste treatment industry, capturing larger market share and achieving "economies of scale".

## FINANCIAL REVIEW

### Continuous operations

#### *Revenue and gross profit*

During the year, the Group recorded revenue of HK\$402.47 million, decreased by 68% as compared with revenue of HK\$1,246.71 million in 2015. This was mainly due to the decrease in construction works for Haidian Project. The cost of sales decreased by 75% to HK\$290.82 million. Overall gross profit margin was 28% (2015: 7%).

	<b>Revenue</b>		<b>Gross Profit</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Household waste treatment	<b>73.58</b>	49.50		
Hazardous and medical waste treatment	<b>8.63</b>	—		
Sale of electricity and steam	<b>155.10</b>	119.34		
	<b>237.31</b>	168.84	<b>62.71</b>	57.91
Construction services	<b>165.16</b>	1,077.87	<b>48.94</b>	26.86
	<b>402.47</b>	1,246.71	<b>111.65</b>	84.77

The Six New Projects contributed HK\$87.73 million and HK\$26.63 million to the Group's revenue and gross profit between the date of acquisition and the end of 2016, respectively. Gross profit margin was 30%.

*Other income and gains, net*

The Group recorded other income and gains, net of HK\$67.10 million during the year, compared to last year of HK\$52.83 million. The amount for the year mainly comprised interest income of HK\$9.64 million (2015: HK\$11.38 million), value added tax refunded of HK\$18.15 million (2015: HK\$2.73 million), government grants and subsidies of HK\$5.31 million (2015: Nil), rental income of HK\$3.04 million (2015: HK\$0.52 million) and foreign exchange gain of HK\$29.15 million (2015: HK\$27.22 million).

*Administrative expenses*

Administrative expenses for the year increased by HK\$48.95 million to HK\$80.20 million. The increase was mainly due to the increase in staff costs of HK\$22.79 million as a result of continuous business expansion and transaction costs of HK\$14.27 million incurred for the acquisition of the Six New Projects during the year.

*Other operating expenses, net*

It was mainly due to the reversal of impairment of long aged trade receivables of HK\$5.56 million during the year.

*Finance costs*

Finance costs for the year mainly comprised interests on bank and other borrowings of HK\$6.42 million (2015: Nil), imputed interest on convertible bonds issued to the immediate holding company of the Company, Idata Finance Trading Limited ("Idata"), of HK\$7.80 million (2015: HK\$3.44 million).

*Income tax*

Income tax expense for the year included current Mainland China income tax of HK\$11.25 million (2015: HK\$5.77 million) and deferred tax charge of HK\$15.95 million (2015: HK\$6.93 million).

**Discontinued operation**

As part of the Group's strategic transformation, the disposal of its information technology business segment has been completed in March 2016. During the year, the operating loss bore by the Group before the date of disposal amounted to HK\$10.79 million. Gain on disposal (included exchange fluctuation reserve realised of HK\$37.29 million) was HK\$80.97 million. Profit for the year from a discontinued operation attributable to members of the Company resulted to HK\$70.18 million, as compared to last year of HK\$11.78 million.

## Profit for the year

Profit for the year amounted to HK\$126.19 million, increased by 50% as compared with HK\$83.99 million in 2015.

	Continuous operations		Discontinued operation	
	2016	2015	2016	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Profit for the year attributable to:				
Members of the Company				
Solid waste treatment segment	<b>91.56</b>	76.02	–	–
IT segment	–	–	<b>70.18</b>	11.78
Corporate and others segment	<b>(31.64)</b>	(4.52)	–	–
	<b>59.92</b>	71.50	<b>70.18</b>	11.78
Non-controlling interest	<b>0.53</b>	0.24	<b>(4.44)</b>	0.47
	<b>60.45</b>	71.74	<b>65.74</b>	12.25

The increase in solid waste treatment segment profit by HK\$15.54 million was mainly contributed by the profit derived from the Six New Projects between the date of acquisition and the end of 2016 of HK\$12.84 million. The increase in corporate and others segment loss by HK\$27.12 million was mainly caused by transaction costs for acquisition of HK\$14.27 million (2015: Nil) and fair value loss on investment properties of HK\$0.23 million (2015: net gain of HK\$9.16 million).

EBITDA from continuing operations for the year was HK\$154.52 million, increased by 18% as compared with HK\$131.39 million in 2015.

## FINANCIAL POSITION

### Significant investing and financing activities

On 31 October 2016, the Group has completed the acquisition of the Six New Projects by issuing convertible bonds with principal amount of HK\$2,202.30 million (the “New Bonds”) to Idata. The fair value of the net assets of the Six New Projects as at the date of acquisition was HK\$1,239.91 million, comprised total assets of HK\$4,187.26 million, total liabilities of HK\$2,739.20 million and non-controlling interests of HK\$208.15 million. Goodwill on acquisition was HK\$962.39 million. The New Bonds are non-interest-bearing, issued at an initial conversion price of HK\$1.13 per ordinary share of the Company and at a maturity period of five years.

In March 2016, the Group has completed the disposal of its information technology business segment for a total cash consideration of HK\$126 million. The relevant net assets disposed of during the year was HK\$81.56 million and the exchange fluctuation reserve of HK\$37.29 million was realised.



On 31 March 2016, Idata has agreed unilaterally waive (i) the payment of the paid interests accrued on the convertible bonds issued in 2013 and 2014 in the amount of HK\$12.06 million and refund such interests in full to the Company; and (ii) interests payable under the outstanding convertible bonds to be incurred up to their maturity date. Such refund was recognised in the capital reserve account as deemed contribution from the immediate holding company during the year.

### **Total assets and liabilities**

As at 31 December 2016, the Group's total assets and total liabilities amounted to HK\$8,421.73 million and HK\$6,076.75 million, respectively, increased by HK\$4,156.24 million and HK\$3,910.18 million as compared to 31 December 2015, respectively.

### *Property, plant and equipment*

The increase in net book value of property, plant and equipment by HK\$525.02 million was mainly attributable to the acquisition of Zhangjiagang Project in October 2016 of HK\$486.40 million and expenditure on the second phase construction-in-progress of Taian Project of HK\$52.86 million, both are Build-Own-Operate ("BOO") projects.

### *Goodwill*

The increase in net carrying value of goodwill by HK\$962.39 million represented the acquisition of the Six New Projects in October 2016.

### *Operating concessions*

The increase in net carrying value of operating concessions by HK\$1,297.67 million was mainly attributable to the acquisition of four Build-Operate-Transfer ("BOT") projects, Gaoantun Project, Ha'erbin Project, Shuyang Project and Hengxing Project, of HK\$1,319.22 million in October 2016.

### *Other intangible assets*

The increase in net carrying value of other intangible assets by HK\$32.82 million was mainly attributable to the acquisition of Zhangjiagang Project of HK\$44.80 million in October 2016.

### *Receivables under service concession arrangements*

The increase in receivables under service concession arrangements by HK\$1,339.96 million was mainly attributable to the acquisition of four BOT projects, Gaoantun Project, Ha'erbin Project, Shuyang Project and Wenchang Project, of HK\$1,385.95 million in October 2016.

### *Bank and other borrowings*

Comprised bank loans of HK\$20.00 million, other loans from fellows subsidiaries, 北京控股集團財務有限公司 of HK\$709.69 million and 北京北控環保工程技術有限公司 of HK\$5.56 million, respectively.

### *Convertible bonds*

The outstanding principal amount of non-interest-bearing convertible bonds issued to Idata amounted to HK\$2,993.30 million, of which HK\$791.00 million was due in 2018 and HK\$2,202.30 million was due in 2021. The liability component of convertible bonds was HK\$2,846.46 million and the equity component was HK\$158.69 million.

### *Deferred income*

Deferred income of HK\$160.12 million represents PRC government grants and subsidies on solid waste treatment business.

### *Trade payables*

Trade payables decreased by HK\$718.11 million to HK\$292.58 million, of which construction fee payable for Haidian Project has been significantly reduced by HK\$940.23 million to HK\$62.78 million.

### *Other payables and accruals*

Other payables and accruals increased by HK\$1,708.81 million to HK\$1,767.11 million, which was mainly amounts due to fellow subsidiaries. The balances are unsecured, non-interest-bearing and are repayable on demand.

## **Liquidity and financial resources**

The Group adopts conservative treasury policies in cash management. As at 31 December 2016, the Group had cash and cash equivalents amounted to HK\$1,960.31 million (approximately 33% of which were denominated in Renminbi and the remainings were denominated in Hong Kong dollars and United States dollars) and interest-bearing bank and other borrowings amounted to HK\$735.24 million (all of which were denominated in Renminbi). In consideration of the stable cash recurring nature of solid waste treatment operations and excluding the convertible bonds issued to Idata, the Group has sufficient cash resources to finance its operations in the foreseeable future.

## Key performance indicators

	2016	2015
For profit from continuous operations:		
Gross profit margin	27.7%	6.8%
Operating profit margin	25.3%	7.7%
Net profit margin	15.0%	5.8%
Return on average equity	2.8%	3.5%
For profit for the year:		
Return on average equity	6.2%	4.0%
Current ratio ( <i>times</i> )	1.03	1.72
Debt ratio ( <i>total debt/total assets</i> )	42.5%	18.4%
Gearing ratio ( <i>net debt/total equity</i> )	69.1%	N/A

## Capital expenditure and commitment

During the year, the Group's total capital expenditures amounted to HK\$2,386.80 million, of which HK\$2,202.30 million represented the consideration for acquisition of the Six New Projects, HK\$148.57 million was spent on construction and modification of waste incineration plants and HK\$35.93 million was spent on purchase of plant and equipment and intangible assets. As at 31 December 2016, the Group had capital commitment of HK\$220.24 million for service concession arrangements.

## 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. The differences arising on settlement or translation of monetary items are taken to the statement of profit or loss and the gains or losses arising on retranslation of foreign operations 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

As at 31 December 2016, the Group did not have any significant contingent liabilities.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2016, the Group employed 867 employees (2015: 282 – continuous operations). Total staff cost for continuous operations for the year was HK\$83.49 million (2015: HK\$34.85 million). The Group's remuneration policy and package are periodically reviewed and generally structured by reference to market terms and individual performance. Discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

During the year, 1,000,000 share options of the Company were exercised at an exercise price of HK\$1.25 per share. No share option was granted, forfeited or lapsed during the year. As at 31 December 2016, the Company had 38,520,000 share options outstanding, which were granted on 21 June 2011 at an exercise price of HK\$1.25 per share and represented approximately 2.6% of the Company's ordinary shares in issue as at 31 December 2016.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Save as disclosed below, in the opinion of the Directors, the Company has complied with all applicable code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2016.

- (a) Under Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation of a majority of directors entitled to present. However, the Company considers it is more efficient to hold Board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the Directors.
- (b) Under Code Provision A.2.7, 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.
- (c) Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, none of the existing non-executive Directors is appointed for a specific term, but they are subject to retirement by rotation in accordance with the Company's articles of association.

- (d) 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, all independent non-executive Directors were unable to attend the general meetings of the Company due to other business engagements.
- (e) Under Code Provision C.2.5, the issuer should have an internal audit function. During the year under review, the Company was still in the process of business transformation and did not have a well established and comprehensive internal audit function. However, the Company considers the Group's existing risk management and internal control mechanisms are still effective and a formalised internal audit function will be set up in the near future in order to cope with the business expansion.
- (f) Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of each of the audit, remuneration and nomination committees to attend. However, the chairmen of the Board and its committees were unable to attend the annual general meeting due to other business engagements.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Dr. Huan Guocang (the chairman of the Audit Committee), Dr. Jin Lizuo and Dr. Wang Jianping. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and internal controls of the Company. The Group's final results for the year ended 31 December 2016 have been reviewed and approved by the Audit Committee.

## **SCOPE OF WORK OF THE COMPANY'S AUDITORS IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## **PUBLICATION OF FINANCIAL INFORMATION**

This results announcement is published on the Company's website ([www.beegl.com.hk](http://www.beegl.com.hk)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2016 annual report will be dispatched to shareholders and published on the websites of the Company and the Stock Exchange in due course.

## **APPRECIATION**

On behalf of the Board, I would like to express my gratitude to all employees, shareholders and parties from different sectors for their continuous support to the Group.

By order of the Board  
**E Meng**  
Chairman

Hong Kong, 31 March 2017

*As at the date of this announcement, the board of directors of the Company comprises five executive directors, namely Mr. E Meng, Mr. Ke Jian, Ms. Sha Ning, Ms. Qin Xuemin and Mr. Ng Kong Fat, Brian, and five independent non-executive directors, namely Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming.*