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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 SUMMARISED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2021 amounted to HK\$956 million, increased by 60% as compared with HK\$599 million in the corresponding period of last year.
- EBITDA for the period amounted to HK\$332 million, increased by 33% as compared with HK\$249 million in the corresponding period of last year.
- Profit for the period attributable to shareholders of the Company amounted to HK\$139 million, increased by 51% as compared with HK\$92 million in the corresponding period of last year.
- Basic earnings per share amounted to HK9.2 cents.
- Net assets per share attributable to shareholders of the Company as at 30 June 2021 amounted to HK\$2.27.
- The Board does not recommend the payment of an interim dividend for the period.

The board (the “Board”) of directors (the “Directors”) of Beijing Enterprises Environment Group Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021, together with comparative figures for the corresponding period in last year, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	4	956,121	599,092
Cost of sales		<u>(665,391)</u>	<u>(421,387)</u>
Gross profit		290,730	177,705
Other income and gains, net	5	47,752	48,316
Selling expenses		(4,335)	(1,120)
Administrative expenses		(88,562)	(72,226)
Other operating expenses, net		<u>(11,468)</u>	<u>(4,751)</u>
PROFIT FROM OPERATING ACTIVITIES	6	234,117	147,924
Finance costs	7	<u>(37,849)</u>	<u>(39,024)</u>
PROFIT BEFORE TAX		196,268	108,900
Income tax	8	<u>(40,300)</u>	<u>(12,078)</u>
PROFIT FOR THE PERIOD		<u>155,968</u>	<u>96,822</u>
ATTRIBUTABLE TO:			
Shareholders of the Company		138,555	92,453
Non-controlling interests		<u>17,413</u>	<u>4,369</u>
		<u>155,968</u>	<u>96,822</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
– Basic (HK cents)		<u>9.23</u>	<u>6.16</u>
– Diluted (HK cents)		<u>4.45</u>	<u>3.11</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2021

		30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		2,227,564	2,227,564
Equity component of convertible bond		147,029	147,029
Other reserves		<u>1,028,812</u>	<u>819,902</u>
		3,403,405	3,194,495
Non-controlling interests		<u>432,583</u>	<u>397,070</u>
TOTAL EQUITY		<u><u>3,835,988</u></u>	<u><u>3,591,565</u></u>
Non-current liabilities:			
Bank and other borrowings		1,127,506	886,438
Provision for major overhauls		10,368	9,283
Other payables		13,376	20,210
Deferred income		150,636	150,626
Deferred tax liabilities		<u>231,006</u>	<u>217,320</u>
Total non-current liabilities		<u>1,532,892</u>	<u>1,283,877</u>
Current liabilities:			
Trade payables	12	637,560	760,696
Other payables and accruals		1,711,459	1,707,679
Bank and other borrowings		155,047	165,604
Convertible bond		2,192,074	2,177,112
Income tax payables		<u>56,513</u>	<u>66,020</u>
Total current liabilities		<u>4,752,653</u>	<u>4,877,111</u>
TOTAL LIABILITIES		<u><u>6,285,545</u></u>	<u><u>6,160,988</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>10,121,533</u></u>	<u><u>9,752,553</u></u>

NOTES:

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 set out in this announcement has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

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

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

The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company’s auditor has reported on the consolidated financial statements of the Company for the year ended 31 December 2020. The auditor’s report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

Particulars of the Group's reportable operating segments are summarised as follows:

- (a) the solid waste treatment segment comprises the construction and operation of waste incineration plants, waste treatment and the sale of electricity and steam generated from waste incineration;
- (b) the ecological construction services segment comprises the ecological construction, design, project survey and design and construction project management; and
- (c) the corporate and others segment comprises property investment and corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measured consistently with the Group's profit for the period.

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

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

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

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

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

Geographical information

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

Information about a major customer

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

4. REVENUE

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

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

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

5. OTHER INCOME AND GAINS, NET

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

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

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

6. PROFIT FROM OPERATING ACTIVITIES

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

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

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

7. FINANCE COSTS

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

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

8. INCOME TAX

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2021 as the Group did not generate any assessable profits arising in Hong Kong during the period. In respect of the six months ended 30 June 2020, Hong Kong profits tax has been provided at the rate of 16.5% in the estimated assessable profit arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	138,555	92,453
Imputed interest on convertible bond (<i>note 7</i>)	14,962	14,838
	<u>153,517</u>	<u>107,291</u>
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	153,517	107,291
	<u>153,517</u>	<u>107,291</u>
	30 June	30 June
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	1,500,360,150	1,500,360,150
Effect of dilution – weighted average number of ordinary shares: Convertible bond	1,948,938,053	1,948,938,053
	<u>1,948,938,053</u>	<u>1,948,938,053</u>
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	3,449,298,203	3,449,298,203
	<u>3,449,298,203</u>	<u>3,449,298,203</u>

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

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

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

11. TRADE AND BILLS RECEIVABLES

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

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

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

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

12. TRADE PAYABLES

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

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

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

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

13. OTHER FINANCIAL INFORMATION

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Solid Waste Treatment Segment

During the period under business review, the Group operated eight household waste incineration power generation projects with waste treatment capacity of 10,225 tonnes/day, and one hazardous and medical waste treatment project with waste treatment capacity of 35,000 tonnes/year. The Group has three household waste incineration power generation projects under construction, including two expansion projects and one new project with waste treatment capacity of 4,350 tonnes/day.

Project Name	Region	Business Model	Treatment capacity (tonnes/day)
Household waste incineration power generation projects:			
Haidian Project (北京市海澱區循環經濟產業園再生能源發電廠項目)	Beijing	BOT	2,100
Gaoantun Project (北京高安屯垃圾焚燒項目)	Beijing	BOT	1,600
Ha'erbin Project (哈爾濱雙琦垃圾焚燒發電項目)	Heilongjiang	BOT	1,600
Changde Project (常德市生活垃圾焚燒發電項目)	Hunan	BOT	1,400
Taian Project (泰安生活垃圾焚燒發電項目)	Shandong	BOO	1,200
Shuyang Project (江蘇省沭陽縣垃圾焚燒發電項目)	Jiangsu	BOT	1,200
Zhangjiagang Project (張家港市生活垃圾焚燒發電廠項目)	Jiangsu	BOO	900
Wenchang Project (文昌市生活垃圾焚燒發電廠項目)	Hainan	BOT	225
Changde Project (Phase III) (常德市生活垃圾焚燒發電項目(三期))#	Hunan	BOT	600
Zhangjiagang Jingmai Project (張家港市靜脈科技產業園生活垃圾焚燒發電項目)#	Jiangsu	BOT	2,250
Yanzhou Project (濟寧市兗州區生活垃圾焚燒發電項目)#	Shandong	BOT	1,500
Hazardous and medical waste treatment project:			
Hengxing Project (湖南省衡陽危險廢物處置中心項目)	Hunan	BOT	

Projects under construction

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

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

Ecological construction segment

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

Prospect

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

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

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

FINANCIAL REVIEW

Revenue and gross profit

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

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

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

Other income and gains, net

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

Selling expenses

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

Administrative expenses

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

Other operating expenses, net

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

Finance costs

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

Income tax

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

EBITDA and profit for the period

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

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

FINANCIAL POSITION

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

Total assets and total liabilities

As at 30 June 2021, the Group had total assets and total liabilities amounted to HK\$10,121.53 million and HK\$6,285.55 million, respectively, increased by HK\$368.98 million and HK\$124.56 million as compared with those as at 31 December 2020, respectively. Net assets of the Group was HK\$3,835.99 million, increased by HK\$244.42 million from the end of last year.

Property, plant and equipment

The Group's property, plant and equipment mainly comprised those incurred for the Shandong Taian Project and the Jiangsu Zhangjiagang Project which operated under Build-Own-Operate ("BOO") arrangements of HK\$1,042.43 million. During the period, the net carrying amount of the Group's property, plant and equipment increased by HK\$12.25 million to HK\$1,111.58 million, of which capital expenditure of HK\$34.29 million (first half of 2020: HK\$20.90 million) has been incurred and HK\$35.20 million (first half of 2020: HK\$38.90 million) has been depreciated in the statement of profit or loss.

Goodwill

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

Operating concessions

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

Receivables under service concession arrangements

The Group's receivables under service concession arrangements are recognised from the household waste treatment plants operated under BOT arrangements with guaranteed waste treatment revenue. During the period, the carrying amount of the Group's receivables under service concession arrangements increased by HK\$158.90 million to HK\$2,392.55 million.

Inventories

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

Trade and bills receivables

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

Contract assets

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

Prepayments, deposits and other receivables

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

Bank and other borrowings

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

Convertible bond

The Group's convertible bond was issued to Idata with principal amount of HK\$2,202.30 million in October 2016 and has share conversion price of HK\$1.13, which are non-interest-bearing and will mature in October 2021. As at 30 June 2021, for accounting purpose, the outstanding convertible bond were bifurcated into liability component of HK\$2,192.07 million and equity component of HK\$147.03 million.

Deferred income

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

Trade payables

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

Other payables and accruals

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

Liquidity and financial resources

The Group adopts conservative treasury policies in cash management. As at 30 June 2021, the Group had cash and cash equivalents amounted to HK\$1,345.13 million (approximately 80% of which were denominated in Renminbi and 20% of which were denominated in Hong Kong dollars and United States dollars); bank and other borrowings amounted to RMB1,064.52 million; non-interest-bearing amounts due to Idata and certain fellow subsidiaries of the Company amounted to HK\$491.00 million and RMB885.66 million, respectively; and non-interest bearing convertible bond issued to Idata in the principal amount of HK\$2,202.30 million (which will mature in October 2021).

As at 31 December 2020, Beijing Enterprises Holdings Limited (“BEHL”), the intermediate holding company of the Company, and its subsidiaries have undertaken not to demand repayment of the amounts due by the Group to them of HK\$2,693.30 million (including the principal amount of outstanding convertible bond of HK\$2,202.30 million) and RMB800.00 million, until such time when the Group is in a position to repay without impairing its liquidity and financial position.

As at 30 June 2021, the Group’s current liabilities of HK\$4,752.65 million exceeded its current assets of HK\$2,732.82 million. In consideration of the stable cash recurring nature of solid waste treatment operations and the financial support of the holding companies and fellow subsidiaries, the directors of the Company considered that the Group will be able to operate on a going concern basis and the Group has sufficient cash resources to finance its operations in the foreseeable future.

Key performance indicators

	For the six months ended 30 June	
	2021	2020
Gross profit margin	30.4%	29.7%
Operating profit margin	24.5%	24.7%
Net profit margin	16.3%	16.2%
Return on average equity	4.2%	3.3%
	30 June	31 December
	2021	2020
Current ratio (<i>times</i>)	0.58	0.56
Debt ratio (<i>total liabilities/total assets</i>)	62.1%	63.2%
Gearing ratio (<i>net debt/total equity</i>)	55.5%	47.6%

Capital expenditure and commitment

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

Charges on the Group's assets

As at 30 June 2021, save as (i) the Group's buildings with a net carrying amount of HK\$279.83 million, the Group's right-of-use assets of HK\$7.83 million and the Group's trade receivables arising from the provision of solid waste treatment service with a net carrying amount of HK\$142.99 million are pledged for the Group's bank loans, and (ii) the Group's bank deposits of HK\$6.10 million are pledged as security deposits to the government authorities and a customer for the provision of construction and related services of solid waste treatment plants, the Group did not have any charges on the Group's assets.

Foreign exchange exposure

The Group's businesses are principally located in Mainland China and the majority of its transactions are conducted in Renminbi. As the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, any fluctuation of exchanges rates would impact the Group's net asset value. During the six months ended 30 June 2021, the gains arising on settlement or translation of monetary items of HK\$3.33 million (first half of 2020: losses of HK\$4.05 million) are taken to the statement of profit or loss and the comprehensive gains arising on translation of foreign operations of HK\$56.54 million (first half of 2020: losses of HK\$84.13 million) are recognised in the exchange fluctuation reserve. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 1,247 employees (31 December 2020: 1,273). Total staff cost for the six months ended 30 June 2021 was HK\$136.82 million, increased by 29% as compared with HK\$106.03 million in the corresponding period in last year. The Group's remuneration policy and package are periodically reviewed and generally structured by reference to market terms and individual performance. Discretionary bonuses are awarded to certain employees according to the assessment of individual performance.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

- (1) Under Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation of a majority of directors entitled to present. However, the Company considers it is more efficient to hold board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the directors.
- (2) Under Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ke Jian assumes the positions of chairman of the Board and Chief Executive Officer. The Company considers that such arrangement can bring benefits to the Company’s business development and management at present, and will not impair the balance of power and authority between the Board and the management of the Company.
- (3) Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for non-executive directors to voice their views by individual communication with the chairman of the board.

- (4) Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, all existing non-executive directors of the Company are not appointed for a specific term but subject to retirement by rotation at the annual general meeting in accordance with the Company's articles of association.
- (5) Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, the independent non-executive directors of the Company were unable to attend the 2021 annual general meeting of the Company due to other business engagements.
- (6) Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration and nomination committees to attend. However, the chairman of the board and the chairmen of the board committees were unable to attend the 2021 annual general meeting of the Company due to other business engagements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors of the Company. All the directors of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

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

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

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2021.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2021 interim report containing all the relevant information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.beegl.com.hk) in due course.

APPRECIATION

The Board would like to express our gratitude to all employees, shareholders and parties from different sectors for their support to the Group.

By order of the Board
Beijing Enterprises Environment Group Limited
Ke Jian
Chairman

Hong Kong, 31 August 2021

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Mr. Ke Jian, Ms. Sha Ning 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.