



北京控股環境集團有限公司

BEIJING ENTERPRISES ENVIRONMENT GROUP LIMITED

(Stock Code 154)

INTERIM REPORT

2022



CONTENTS

CORPORATE INFORMATION	2
CORPORATE STRUCTURE	3
MANAGEMENT DISCUSSION AND ANALYSIS	4
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	13
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	14
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	15
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	17
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	18
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	20
DISCLOSEABLE INFORMATION	41
CORPORATE GOVERNANCE	45

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors:

Mr. Ke Jian (*Chairman*)
Ms. Sha Ning
Mr. Chen Xinguo (*Chief Executive Officer*)
Mr. Yu Jie
Mr. Ng Kong Fat, Brian

Independent non-executive directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Dr. Jin Lizuo (*Committee Chairman*)
Dr. Huan Guocang
Dr. Wang Jianping
Mr. Ke Jian

NOMINATION COMMITTEE

Mr. Ke Jian (*Committee Chairman*)
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping

COMPANY SECRETARY

Mr. Wong Kwok Wai, Robin

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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18 Harbour Road
Wanchai
Hong Kong

WEBSITE

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

STOCK CODE

154

SHARE REGISTRARS

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

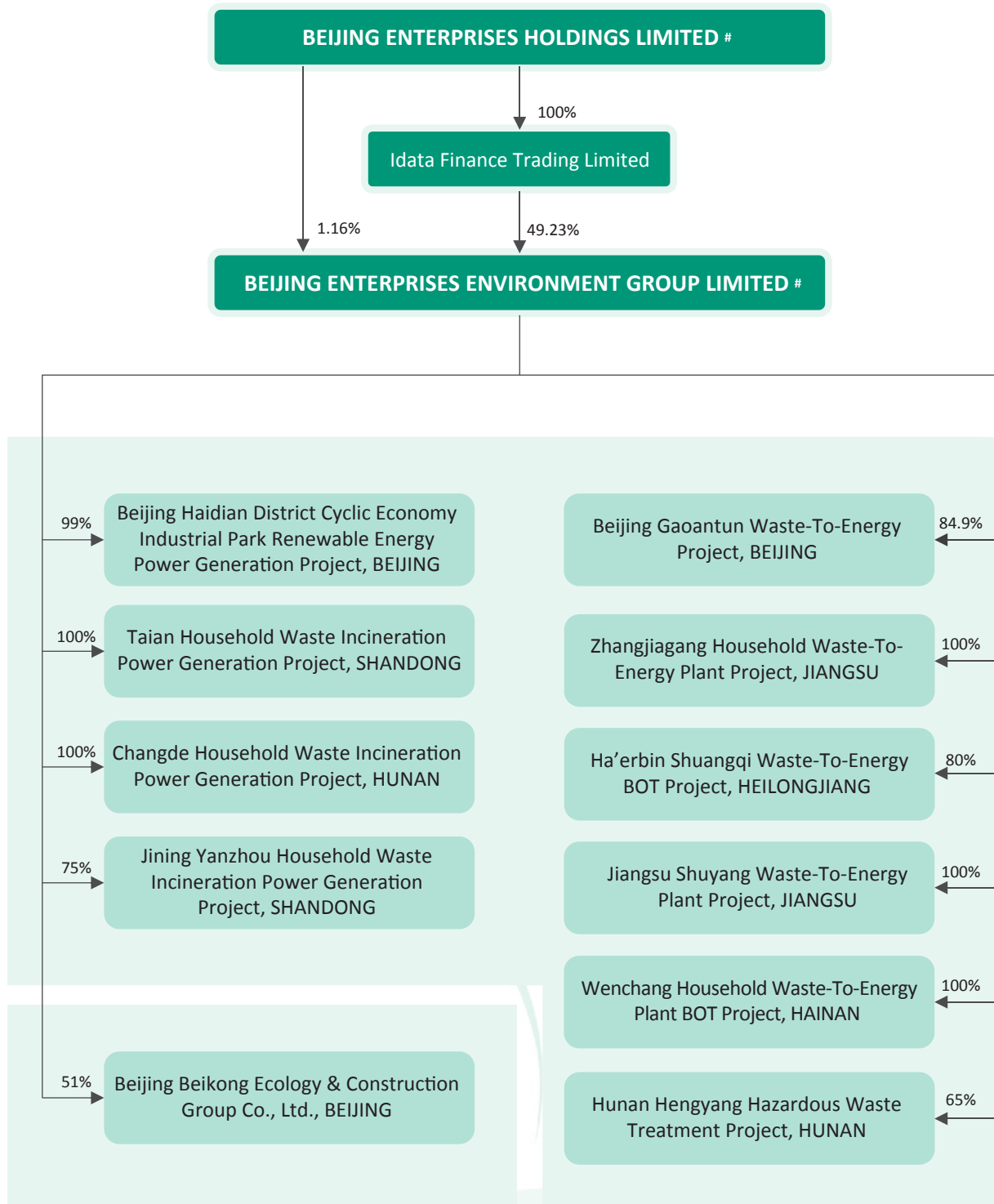
PRINCIPAL BANKERS

In Hong Kong:
Bank of China (Hong Kong)

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

CORPORATE STRUCTURE

31 August 2022



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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Solid Waste Treatment Segment

In the first half of 2022, the Group operated 10 solid waste treatment projects in China, including 9 household waste incineration power generation projects with waste treatment capacity of 11,125 tonnes/day, and one hazardous and medical waste treatment project with waste treatment capacity of 40,840 tonnes/year.

Project Name	Region	Business Model	Waste 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
Yanzhou Project (濟寧市兗州區生活垃圾焚燒發電項目)	Shandong	BOT	1,500
Ha'erbin Project (哈爾濱雙琦垃圾焚燒發電項目)	Heilongjiang	BOT	1,200
Changde Project (常德市生活垃圾焚燒發電項目)	Hunan	BOT	1,200
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
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	

Affected by the epidemic, the Group encountered various difficulties in production and operation, plant construction and market development in the first half year. While preventing the epidemic scientifically, the Group adopted effective measures proactively, steadily facilitated various works and strived to minimise the impacts caused by the epidemic, and had accomplished various indicators and tasks in general in the first half year.

The Group improved its project capacity utilisation rate and achieved comprehensive quality and efficiency improvement through various energy-conservation modification measures. The Group completed 1.89 million tonnes of household waste intake (average 10,432 tonnes/day, increased by 15.7% year-on-year), 3,470 tonnes of hazardous and medical waste intake, 52,000 tonnes of food waste treatment, 82,500 tonnes of sludge treatment and 52,700 tonnes of leachate treatment. The electricity generating volume was 687,332 MWh (increased by 5.8% year-on-year), electricity sales volume was 575,829 MWh (increased by 4.5% year-on-year) and steam supply volume was 53,100 tonnes. Revenue from the solid waste treatment business for the period was HK\$597 million, up by 3.4% year-on-year. Gross profit for the period was HK\$236 million, up by 3.1% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Regarding the solid waste incineration plant construction, the Group is speeding up the construction and settlement of key projects. Capital expenditures for the period were approximately HK\$160 million. The Changde Project (Phase III) was put into operation in the second half of last year and the Yanzhou Project was put into operation in April after its commissioning and trial production in January to March. Currently, the projects are advancing their completion and settlement works in an orderly manner. The expansion of Zhangjiagang Project (namely, 張家港市靜脈科技產業園項目) has completed the procurement of all main and ancillary equipment in the first half year and the main civil engineering project completed its structural top. The target is to complete trial operation of the whole plant by the end of the year. In addition, for the equipment supply contract of the household waste incineration power generation project in Beihai City entered into between the Group and its fellow subsidiary, so far the construction of the fundamental equipment and ancillary facilities of the project have been completed in general and put into use. During the period, the revenue derived from the solid waste incineration plant construction amounted to HK\$444 million, increased by 108.8% as compared with the corresponding period of last year, and gross profit amounted to HK\$89 million, increased by 126.4% as compared with the corresponding period of last year.

Under the “peak carbon emissions” and “carbon neutrality” campaigns, the Group actively propelled project companies to carry out “carbon emission reduction” and conducted a number of technical research and development in energy saving and emission reduction. During the period, the Group completed the first carbon emission quota trading on the national carbon emission trading platform, earmarking the Group has made substantial progress in “carbon emission reduction” works.

In order to expand the upstream and downstream industrial chains of the Group and strive to break through the bottlenecks of traditional principal businesses, the Group, leveraging the existing waste incineration business, carried out the solid waste treatment business on organic waste liquid, oil sludge, fly ash, sludge, dregs and bulk solid waste. With technological innovation leading technological development, the Group established a full-process operation system integrating market development, project investment, project construction and operation management, which will soon become new profit growth drivers of the Group.

Ecological Construction Services Segment

As a result of market shrinkage and increasingly hiking market prices of construction materials, the revenue from the ecological construction services segment decreased while operating costs went up. During the epidemic outbreak, the restricted staff flow has increased difficulties in the market expansion for new businesses, whereby the overall development layout of the enterprises was affected. In the first half of 2022, the ecological construction services segment continued to record operating losses since the second half of last year. During the period, the ecological construction services segment recorded a revenue of HK\$124 million, achieved 63.8% of the revenue last whole year, while losses for the period decreased to HK\$14.15 million, representing 25.7% of the losses last whole year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECT

Owing to the resurgence of the epidemic and uncertainties in the international environment, the prices of raw materials surged rapidly. The decrease in national subsidies on electricity generation with waste and the garbage sorting policy had affected the profitability of household waste incineration power generation projects. Meanwhile, the increasingly stringent environmental protection and emission standards and the regulation on environmental protection further increased the operating costs of project companies. The waste incineration industry will enter a period of intense integration.

The Report on the Work of the Government in 2022 put forward new requirements on the comprehensive treatment of the ecological environment and the treatment of solid waste and new pollutants, which also brought new opportunities for the environmental protection industry. The Group will improve the production and operation in an all-round manner, step up efforts in market expansion, rapidly promote the development of new businesses, vigorously advance plant construction and settlement and perfect the establishment of technical systems and make unremitting efforts towards the positioning of being a leader in China and also the world-leading comprehensive environmental protection service provider.

FINANCIAL REVIEW

Revenue and gross profit

During the six months ended 30 June 2022, the Group recorded revenue of HK\$1,165.05 million, increased by 21.9% as compared with the corresponding period in last year of HK\$956.12 million. The revenue derived from the solid waste treatment and the sale of electricity and steam amounted to HK\$597.45 million, increased by 3.4% as compared with last corresponding period of HK\$577.81 million. The revenue derived from the waste incineration plant construction and related services amounted to HK\$444.01 million, increased by 108.8% as compared with last corresponding period of HK\$212.63 million. The revenue derived from the ecological construction and related services amounted to HK\$123.59 million, decreased by 25.4% as compared with last corresponding period of HK\$165.68 million.

The Group's gross profit amounted to HK\$329.02 million, increased by 13.2% as compared with last corresponding period of HK\$290.73 million. The overall gross profit margin decreased from 30.4% to 28.2%.

	Revenue For the six months ended 30 June		Gross profit For the six months ended 30 June		Gross profit margin For the six months ended 30 June	
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 %	2021 %
Household waste treatment	165.14	145.10				
Other solid waste treatment	70.37	94.78				
Sale of electricity and steam	361.94	337.93				
	597.45	577.81	235.55	228.55	39.4	39.6
Waste incineration plant construction and related services	444.01	212.63	88.99	39.31	20.0	18.5
Ecological construction and related services	123.59	165.68	4.48	22.87	3.6	13.8
	1,165.05	956.12	329.02	290.73	28.2	30.4

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other income and gains, net

The Group recorded net other income and gains of HK\$39.31 million during the six months ended 30 June 2022, decreased by HK\$8.44 million as compared with last corresponding period of HK\$47.75 million. The other income for the period mainly comprised value added tax refund from solid waste treatment business of HK\$27.13 million (first half of 2021: HK\$22.76 million), interest income of HK\$1.65 million (first half of 2021: HK\$8.58 million) and government grants of HK\$1.07 million (first half of 2021: HK\$8.63 million).

Selling expenses

The Group's selling expenses for the six months ended 30 June 2022 decreased by HK\$3.05 million to HK\$1.29 million, which was mainly incurred by the hazardous and medical waste treatment service business.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2022 increased by 12.2% or HK\$10.80 million to HK\$99.37 million, which was mainly due to the business expansion of waste incineration plant construction services during the period.

Other operating expenses, net

The Group incurred net other operating expenses of HK\$11.94 million (included net foreign exchange loss of HK\$10.56 million) during the six months ended 30 June 2022, decreased by HK\$0.48 million as compared with last corresponding period of HK\$11.47 million (included 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 2022 increased by 109.2% or HK\$41.34 million to HK\$79.19 million, which mainly comprised interest on bank loans of HK\$20.26 million (first half of 2021: HK\$9.24 million), interest on a loan advanced from Idata Finance Trading Limited ("Idata"), the immediate holding company of the Company, of HK\$22.71 million (first half of 2021: imputed interest on a convertible bond issued to Idata of HK\$14.96 million), interest on loans advanced from 北京控股集團財務有限公司 ("BG Finance"), a fellow subsidiary of the Company, of HK\$19.50 million (first half of 2021: HK\$16.91 million) and interest on a loan advanced from 北京控股投資管理有限公司 ("BG Management"), a fellow subsidiary of the Company, of HK\$24.74 million (first half of 2021: Nil). Interest on bank and other borrowings of HK\$10.03 million (first half of 2021: HK\$4.79 million) incurred for the construction of waste incineration plants have been capitalised during the period.

Income tax

The Group's income tax expense for the six months ended 30 June 2022 amounted to HK\$35.11 million, decreased by 12.9% or HK\$5.19 million as compared with last corresponding period of HK\$40.30 million. Current tax charge was HK\$38.20 million (first half of 2021: HK\$27.50 million) and deferred tax credit was HK\$3.09 million (first half of 2021: tax charge of HK\$12.80 million). The Group's effective tax rate for the period was 19.9% (first half of 2021: 20.5%).

EBITDA and profit for the period

EBITDA for the six months ended 30 June 2022 was HK\$365.04 million, increased by 10.1% or HK\$33.53 million as compared with last corresponding period of HK\$331.51 million. Profit for the period amounted to HK\$141.44 million, decreased by 9.3% or HK\$14.53 million as compared with last corresponding period of HK\$155.97 million. Profit for the period attributable to shareholders of the Company amounted to HK\$138.83 million, increased by 0.2% or HK\$0.27 million as compared with last corresponding period of HK\$138.56 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

	EBITDA		Profit/(loss) for the period		Profit/(loss) 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	
	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million	2022 HK\$ million	2021 HK\$ million
Solid waste treatment segment	398.56	345.56	201.69	190.16	192.34	173.53
Ecological construction services segment	(10.18)	5.69	(14.15)	1.60	(7.17)	0.87
Corporate and others segment	(23.34)	(19.74)	(46.10)	(35.79)	(46.34)	(35.84)
	365.04	331.51	141.44	155.97	138.83	138.56

FINANCIAL POSITION

Significant investing and financing activities

Except for the expansion construction and continuous technical modifications on the existing waste incineration plants, the Group had made no material investment, acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2022.

On 28 March 2022, the Company entered into a loan agreement with Idata to refinance the amount due to it of HK\$2,693.3 million. The loan has a three-year tenure, is unsecured and bears interest at 1.7% per annum.

Total assets and liabilities

As at 30 June 2022, the Group had total assets and total liabilities amounted to HK\$11,146.73 million and HK\$7,196.89 million, respectively, increased by HK\$226.20 million and HK\$271.63 million as compared with those as at 31 December 2021, respectively. Net assets of the Group was HK\$3,949.84 million, decreased by HK\$45.44 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\$1,030.91 million. During the period, the net carrying amount of the Group's property, plant and equipment decreased by HK\$13.74 million to HK\$1,084.82 million, of which capital expenditure of HK\$63.86 million (first half of 2021: HK\$34.29 million) has been incurred and depreciation of HK\$37.78 million (first half of 2021: HK\$35.20 million) has been recognised 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. During the period, there is no significant consequence that giving rise to the material deterioration to the value-in-use value of the relevant companies and the Company will appoint an independent professional valuer to further assess the goodwill impairment testing at the financial year end.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Right-of-use assets

The Group has right-of-use assets amounted to HK\$84.51 million, increased by HK\$37.42 million from the end of last year.

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 decreased by HK\$72.60 million to HK\$2,926.31 million, of which additions to operating concessions of HK\$96.39 million (first half of 2021: HK\$239.18 million) has been incurred and amortisation of HK\$62.33 million (first half of 2021: HK\$52.90 million) has been recognised in the statement of profit or loss.

Other intangible assets

The Group's other intangible assets mainly comprised the fair value of the operation right of the Jiangsu Zhangjiagang Project of HK\$36.29 million and other licenses of HK\$9.02 million.

Receivables under service concession arrangements

The Group's receivables under service concession arrangements are recognised from the household waste incineration 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\$73.42 million to HK\$2,684.04 million, of which additional receivables recognised from the new Yanzhou Project and Zhangjiagang Jingmai Project during the period amounted to HK\$183.76 million.

Contract assets

The Group's contract assets decreased by HK\$2.41 million to HK\$325.09 million, which are mainly related to ecological construction.

Inventories

The Group's inventories increased by HK\$5.68 million to HK\$52.77 million from the end of last year, which mainly represented coal and consumables used for the operation of solid waste incineration plants.

Trade and bills receivables

The Group's trade and bills receivables increased by HK\$57.73 million to HK\$738.38 million from the end of last year, of which receivables from local electricity corporations amounted to HK\$482.20 million. According to the ageing analysis based on settlement due date, of which national subsidiary of grid electricity of HK\$410.28 million (55.6%) are unbilled, HK\$98.79 million (13.4%) are neither past due nor impaired, HK\$87.06 million (11.8%) are past due for less than 3 months and HK\$56.48 million (7.6%) are past due for over 1 year.

Prepayments, deposits and other receivables

The Group's total prepayments, deposits and other receivables increased by HK\$33.67 million to HK\$320.40 million from the end of last year, which mainly comprised prepayments of HK\$21.58 million, value added tax refund and taxes recoverable of HK\$173.06 million, balances due from related parties of HK\$98.40 million, deposits and other receivables of HK\$27.36 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Bank and other borrowings

On 28 March 2022, the Company entered into a loan agreement with Idata to refinance the amount due to it of HK\$2,693.30 million. The loan has a three-year tenure, is unsecured and bears interest at 1.7% per annum.

As at 30 June 2022, in addition to the loan from Idata of HK\$2,693.30 million, the Group has bank and other borrowings amounted to HK\$2,939.09 million, which were all denominated in RMB and comprised RMB924.08 million from commercial banks in Mainland China, RMB742.45 million from BG Finance, RMB800 million from BG Management and RMB31.7 million from other parties relating to the ecological construction business. During the six months ended 30 June 2022, the Group repaid bank and other borrowings of RMB191.96 million and further advanced RMB518.44 million (excluded the refinancing of the loans from Idata and BG Management). The weighted average interest rate of the Group's bank and other borrowings (excluded the loan from Idata) was approximately 4.1% per annum.

Deferred income

The Group's deferred income decreased by HK\$9.22 million to HK\$138.99 million from the end of last year, which mainly represented the PRC government grants and subsidies on solid waste treatment business.

Trade payables

The Group's trade payables decreased by HK\$53.29 million to HK\$683.76 million from the end of last year, 31.8% of which (HK\$217.34 million) were unbilled.

Other payables and accruals

Upon the refinancing of the loans from Idata and BG Management of HK\$2,693.3 million and RMB800 million, respectively, the Group's total other payables and accruals decreased by HK\$3,641.18 million to HK\$400.04 million from the end of last year.

Liquidity and financial resources

The Group adopts conservative treasury policies in cash management. As at 30 June 2022, the Group had cash and cash equivalents amounted to HK\$1,678.97 million, of which approximately 84% were denominated in Renminbi and the remaining were denominated in Hong Kong dollars and United States dollars.

On 28 March 2022, the Company entered into a loan agreement with Idata to refinance the amount due to it of HK\$2,693.30 million. The loan has a three-year tenure, is unsecured and bears interest at 1.7% per annum.

As at 30 June 2022, in addition to the loan advanced from Idata mentioned above, the Group has bank and other borrowings amounting to HK\$2,939.09 million (included the loans advanced from fellow subsidiaries amounting to HK\$1,814.64 million).

As at 30 June 2022, the Group has current assets of HK\$3,201.46 million and current liabilities of HK\$1,340.38 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Key performance indicators

	For the six months ended 30 June	
	2022	2021
Gross profit margin	28.2%	30.4%
Operating profit margin	22.0%	24.5%
Net profit margin	12.1%	16.3%
Return on average equity	3.9%	4.2%

	30 June 2022	31 December 2021
Current ratio (<i>times</i>)	2.39	0.59
Debt ratio (<i>total liabilities/total assets</i>)	64.6%	63.4%
Gearing ratio (<i>net debt/total equity</i>)	100.1%	69.8%

Capital expenditure and commitment

During the six months ended 30 June 2022, the Group's total capital expenditures amounted to HK\$160.47 million, of which HK\$158.66 million was spent on construction and modification of waste incineration plants and HK\$1.81 million was spent on purchase of other assets. As at 30 June 2022, the Group has capital commitment for service concession arrangements amounted to HK\$641.64 million.

Charges on the Group's assets

As at 30 June 2022, save as (i) certain solid waste treatment concession rights of the Group, which comprises operating concessions and receivables under service concession arrangements with an aggregate net carrying amount of HK\$2,195.58 million, which are managed by the Group pursuant to the relevant service concession arrangements signed with the grantors, are mortgaged for the Group's bank loans; and (ii) the Group's bank deposits of HK\$4.33 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

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 2022, the losses arising on settlement or translation of monetary items of HK\$10.56 million (first half of 2021: gains of HK\$3.33 million) are taken to the statement of profit or loss and the comprehensive losses arising on translation of foreign operations of HK\$171.97 million (first half of 2021: gains of HK\$56.54 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 2022, the Group had 1,313 employees (31 December 2021: 1,399). Total staff cost for the six months ended 30 June 2022 was HK\$148.66 million, increased by 8.7% as compared with HK\$136.82 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
REVENUE	4	1,165,054	956,121
Cost of sales		(836,030)	(665,391)
Gross profit		329,024	290,730
Other income and gains, net	5	39,310	47,752
Selling expenses		(1,286)	(4,335)
Administrative expenses		(99,365)	(88,562)
Other operating expenses, net		(11,944)	(11,468)
PROFIT FROM OPERATING ACTIVITIES	6	255,739	234,117
Finance costs	7	(79,187)	(37,849)
PROFIT BEFORE TAX		176,552	196,268
Income tax	8	(35,108)	(40,300)
PROFIT FOR THE PERIOD		141,444	155,968
ATTRIBUTABLE TO:			
Shareholders of the Company		138,827	138,555
Non-controlling interests		2,617	17,413
		141,444	155,968
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	10		
– Basic (HK cents)		9.25	9.23
– Diluted (HK cents)		9.25	4.45

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	141,444	155,968
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(186,880)	61,359
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(45,436)	217,327
ATTRIBUTABLE TO:		
Shareholders of the Company	(33,138)	195,091
Non-controlling interests	(12,298)	22,236
	(45,436)	217,327

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		1,084,822	1,098,565
Right-of-use assets		84,513	47,093
Goodwill		1,122,551	1,122,551
Operating concessions		2,926,311	2,998,908
Other intangible assets		45,305	47,805
Investment in a joint venture		6,652	6,652
Receivables under service concession arrangements	11	2,599,206	2,539,266
Prepayments, deposits and other receivables	13	3,314	25,018
Deferred tax assets		72,598	62,038
Total non-current assets		7,945,272	7,947,896
Current assets:			
Contract assets		325,090	327,499
Inventories		52,768	47,089
Receivables under service concession arrangements	11	84,834	71,357
Trade and bills receivables	12	738,376	680,647
Prepayments, deposits and other receivables	13	317,089	261,720
Pledged deposits		4,332	5,588
Cash and cash equivalents		1,678,969	1,578,738
Total current assets		3,201,458	2,972,638
TOTAL ASSETS		11,146,730	10,920,534

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2022

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	14	2,227,564	2,227,564
Reserves		1,319,839	1,352,977
		3,547,403	3,580,541
Non-controlling interests		402,440	414,738
TOTAL EQUITY		3,949,843	3,995,279
Non-current liabilities:			
Bank and other borrowings	15	5,431,562	1,454,950
Provision for major overhauls		11,740	11,234
Other payables	17	37,807	7,964
Deferred income		138,986	148,206
Deferred tax liabilities		236,413	234,978
Total non-current liabilities		5,856,508	1,857,332
Current liabilities:			
Trade payables	16	683,762	737,054
Other payables and accruals	17	362,231	4,033,254
Bank and other borrowings	15	200,823	217,914
Income tax payables		93,563	79,701
Total current liabilities		1,340,379	5,067,923
TOTAL LIABILITIES		7,196,887	6,925,255
TOTAL EQUITY AND LIABILITIES		11,146,730	10,920,534

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to shareholders of the Company									
	Equity component of		Share option reserve	Capital reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	Share capital	convertible bond								
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2022	2,227,564	-*	-*	25,999*	141,510*	50,207*	1,135,261*	3,580,541	414,738	3,995,279
Profit for the period	-	-	-	-	-	-	138,827	138,827	2,617	141,444
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	(171,965)	-	-	(171,965)	(14,915)	(186,880)
Total comprehensive income/(loss) for the period	-	-	-	-	(171,965)	-	138,827	(33,138)	(12,298)	(45,436)
Transfer to PRC reserve funds	-	-	-	-	-	9,406	(9,406)	-	-	-
At 30 June 2022	2,227,564	-*	-*	25,999*	(30,455)*	59,613*	1,264,682*	3,547,403	402,440	3,949,843
At 1 January 2021	2,227,564	147,029	20,789	12,180	33,334	44,279	709,320	3,194,495	397,070	3,591,565
Profit for the period	-	-	-	-	-	-	138,555	138,555	17,413	155,968
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	56,536	-	-	56,536	4,823	61,359
Total comprehensive income for the period	-	-	-	-	56,536	-	138,555	195,091	22,236	217,327
Transfer of share option reserve upon the lapse of share options	-	-	(20,789)	-	-	-	20,789	-	-	-
Capital contribution from a non-controlling equity holder of a subsidiary	-	-	-	13,819	-	-	-	13,819	13,277	27,096
Transfer to PRC reserve funds	-	-	-	-	-	4,070	(4,070)	-	-	-
At 30 June 2021	2,227,564	147,029	-	25,999	89,870	48,349	864,594	3,403,405	432,583	3,835,988

* These reserve accounts comprise the consolidated reserves of HK\$1,319,839,000 (unaudited) (31 December 2021: HK\$1,352,977,000) in the condensed consolidated statement of financial position as at 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(31,376)	(101,506)
Mainland China income tax paid	(20,476)	(37,799)
Net cash flows used in operating activities	(51,852)	(139,305)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(63,866)	(34,294)
Additions of operating concessions	(86,356)	(234,393)
Interest received	1,649	8,581
Decrease in pledged deposits	1,084	1,108
Other cash flows used in investing activities, net	(4,913)	(86)
Net cash flows used in investing activities	(152,402)	(259,084)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from a non-controlling equity holder of a subsidiary	–	27,096
New bank loans	345,282	281,451
Repayment of bank loans	(176,044)	(18,072)
New other loans	279,341	–
Repayment of other loans	(55,236)	(45,542)
Interest paid	(40,789)	(26,599)
Other cash flows used in financing activities, net	(15,494)	(7,639)
Net cash flows from financing activities	337,060	210,695
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	1,468,219	1,409,400
Effect of foreign exchange rate changes, net	(33,577)	12,723
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,567,448	1,234,429

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits		
Placed in banks	1,468,241	1,178,187
Placed in a financial institution, which is a fellow subsidiary	30,866	33,901
Time deposits	184,194	139,138
Less: Pledged deposits	(4,332)	(6,100)
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	1,678,969	1,345,126
Less: Time deposits with maturity of more than three months when acquired	(111,521)	(110,697)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	1,567,448	1,234,429

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 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”) and Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. 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 2021.

The financial information relating to the year ended 31 December 2021 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 2021 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 2021. The auditor’s report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 *Business Combinations* an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies* if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has adopted the amendments prospectively from 1 January 2022. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments did not have any significant impact on the financial position or performance of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*, HKFRS 9 *Financial Instruments*, Illustrative Examples accompanying HKFRS 16 *Leases* and HKAS 41 *Agriculture*. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any significant impact on the Group's financial statements.
 - HKFRS 16: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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

For the six months ended 30 June 2022

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 engages in the provision of waste incineration plant construction and waste treatment services, sale of electricity and steam generated from waste incineration and sale of equipment;
- (b) the ecological construction services segment engages in the provision of ecological construction, design, project survey and design, and construction project management services; and
- (c) the corporate and others segment comprises 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The following table presents the revenue and profit/(loss) information for the six months ended 30 June 2022 and 2021 and the total assets and total liabilities information as at 30 June 2022 and 31 December 2021 regarding the Group's operating segments.

	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 2022				
Segment revenue (note 4)	1,041,463	123,591	–	1,165,054
Cost of sales	(716,916)	(119,114)	–	(836,030)
Gross profit	324,547	4,477	–	329,024
Profit/(loss) from operating activities	294,554	(15,430)	(23,385)	255,739
Finance costs	(55,573)	(909)	(22,705)	(79,187)
Profit/(loss) before tax	238,981	(16,339)	(46,090)	176,552
Income tax	(37,289)	2,194	(13)	(35,108)
Profit/(loss) for the period	201,692	(14,145)	(46,103)	141,444
Segment profit/(loss) attributable to shareholders of the Company	192,340	(7,174)	(46,339)	138,827
At 30 June 2022				
Segment assets	10,332,737	481,108	332,885	11,146,730
Segment liabilities	4,084,803	365,315	2,746,769	7,196,887

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

3. OPERATING SEGMENT INFORMATION (CONTINUED)

	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 (note 4)	790,439	165,682	–	956,121
Cost of sales	(522,582)	(142,809)	–	(665,391)
Gross profit	267,857	22,873	–	290,730
Profit/(loss) from operating activities	253,552	1,156	(20,591)	234,117
Finance costs	(21,840)	(1,006)	(15,003)	(37,849)
Profit/(loss) before tax	231,712	150	(35,594)	196,268
Income tax	(41,550)	1,447	(197)	(40,300)
Profit/(loss) for the period	190,162	1,597	(35,791)	155,968
Segment profit/(loss) attributable to shareholders of the Company	173,532	864	(35,841)	138,555
At 31 December 2021				
Segment assets	10,031,971	543,132	345,431	10,920,534
Segment liabilities	4,060,617	398,296	2,466,342	6,925,255

During the six months ended 30 June 2022, the Group has addition of property, plant and equipment, operating concessions and other intangible assets with a total cost of HK\$160,470,000 (six months ended 30 June 2021: HK\$273,897,000).

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 2022, 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 under the solid waste treatment segment amounted to HK\$124,722,000 (six months ended 30 June 2021: HK\$120,221,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

4. REVENUE

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

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Household waste treatment service income*	165,142	145,101
Hazardous and medical waste treatment service income	15,566	26,669
Food waste, leachate, sludge and other treatments service income	54,809	68,110
Sales of electricity	350,464	330,313
Sales of steam	11,473	7,619
Waste incineration plant construction and related service income*	297,349	212,627
Sale of equipment	146,660	–
Ecological construction and related service income	123,591	165,682
	1,165,054	956,121

* Imputed interest income under service concession arrangements during the period amounting to HK\$64,824,000 (six months ended 30 June 2021: HK\$47,299,000) was included in the revenue derived from household waste treatment services and waste incineration plant construction and related services.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

4. REVENUE (CONTINUED)

Disaggregated revenue information

Segment	Solid waste treatment (Unaudited) HK\$'000	Ecological construction services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2022			
Type of goods or services			
Household waste treatment service	112,597	–	112,597
Hazardous and medical waste treatment service	15,566	–	15,566
Food waste, leachate, sludge and other treatments service	54,809	–	54,809
Electricity	350,464	–	350,464
Steam	11,473	–	11,473
Waste incineration plant construction and related services	285,070	–	285,070
Equipment	146,660	–	146,660
Ecological construction services	–	120,261	120,261
Ecological design services	–	3,330	3,330
Total revenue from contracts with customers	976,639	123,591	1,100,230
Revenue from another source: Imputed interest income	64,824	–	64,824
Total revenue	1,041,463	123,591	1,165,054
Geographical markets			
Total revenue from contracts with customers in Mainland China	976,639	123,591	1,100,230
Revenue from another source: Imputed interest income	64,824	–	64,824
Total revenue	1,041,463	123,591	1,165,054
Timing of revenue recognition			
Goods and services transferred at a point in time	691,569	3,330	694,899
Services transferred over time	285,070	120,261	405,331
Total revenue from contracts with customers	976,639	123,591	1,100,230
Revenue from another source: Imputed interest income	64,824	–	64,824
Total revenue	1,041,463	123,591	1,165,054

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

4. REVENUE (CONTINUED)

Disaggregated revenue information (continued)

Segment	Solid waste treatment (Unaudited) HK\$'000	Ecological construction services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2021			
Type of goods or services			
Household waste treatment service	97,802	–	97,802
Hazardous and medical waste treatment service	26,669	–	26,669
Food waste, leachate, sludge and other treatments service	68,110	–	68,110
Electricity	330,313	–	330,313
Steam	7,619	–	7,619
Waste incineration plant construction and related services	212,627	–	212,627
Ecological construction services	–	158,581	158,581
Ecological design services	–	7,101	7,101
Total revenue from contracts with customers	743,140	165,682	908,822
Revenue from another source: Imputed interest income	47,299	–	47,299
Total revenue	790,439	165,682	956,121
Geographical markets			
Total revenue from contracts with customers in Mainland China	743,140	165,682	908,822
Revenue from another source: Imputed interest income	47,299	–	47,299
Total revenue	790,439	165,682	956,121
Timing of revenue recognition			
Goods and services transferred at a point in time	530,513	7,101	537,614
Services transferred over time	212,627	158,581	371,208
Total revenue from contracts with customers	743,140	165,682	908,822
Revenue from another source: Imputed interest income	47,299	–	47,299
Total revenue	790,439	165,682	956,121

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Value added tax refund	27,125	22,760
Government grants [#]	1,068	8,627
Interest income	1,649	8,581
Foreign exchange differences, net	–	3,326
Others	9,468	4,458
	39,310	47,752

[#] The government grants recognised by the Group during the period represented subsidies received from certain government authorities as incentives to promote energy saving technologies 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	37,772	35,540
Depreciation of right-of-use assets	8,148	7,428
Amortisation of operating concessions*	62,335	52,897
Amortisation of other intangible assets*	1,046	1,532
Foreign exchange differences, net	10,559	(3,326)

* The amortisation of operating concessions and other intangible assets (excluding computer software amounting to HK\$178,000 (six months ended 30 June 2021: HK\$191,000) which is included in "Administrative expenses") are included in "Cost of sales" in the condensed consolidated statement of profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

7. FINANCE COSTS

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

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on bank and other borrowings	87,651	26,599
Imputed interest on a convertible bond	–	14,962
Interest on lease liabilities	1,232	783
Total interest expenses	88,883	42,344
Less: Interest capitalised	(10,026)	(4,789)
	78,857	37,555
Other finance costs:		
Increase in discounted amounts of provision for major overhauls arising from the passage of time	330	294
	79,187	37,849

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

8. INCOME TAX

An analysis of the Group's income tax is as follows:

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current – Mainland China		
Charge for the period	44,905	31,815
Overprovision in prior periods	(6,703)	(4,318)
	38,202	27,497
Deferred	(3,094)	12,803
Total tax charge for the period	35,108	40,300

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2022 and 2021 as the Group did not generate any assessable profits arising in Hong Kong during the periods. 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.

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% tax reduction for the ensuing three years.

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount 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.

In respect of the six months ended 30 June 2022, no adjustment has been made to the basic earnings per share amount presented as the Group had no potential ordinary shares in issue during the period.

In respect of the six months ended 30 June 2021, the calculation of the diluted earnings per share amount was based on the profit for the period attributable to shareholders of the Company, adjusted to reflect the imputed interest on a convertible bond. The weighted average number of ordinary shares used in the calculation is the total of (i) the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation; and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of the dilutive convertible bond into ordinary shares. The share options of the Company outstanding during the six months ended 30 June 2021 had no diluting effect on the basic earnings per share amount presented.

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

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Earnings		
Profit for the period attributable to shareholders of the Company, used in the basic earnings per share calculation	138,827	138,555
Imputed interest on a convertible bond	–	14,962
Profit for the period attributable to shareholders of the Company, used in the diluted earnings per share calculation	138,827	153,517
	30 June 2022 (Unaudited)	30 June 2021 (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
Weighted average number of ordinary shares in issue during the period, used in the diluted earnings per share calculation	1,500,360,150	3,449,298,203

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

11. 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 2022 and 31 December 2021.

At 30 June 2022, certain receivables under service concession arrangements with an aggregate net carrying amount of HK\$687,096,000 (31 December 2021: HK\$506,474,000) were mortgaged to secure certain bank loans granted to the Group (note 15(c)).

12. 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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Billed:		
Within 3 months	181,314	218,320
4 to 6 months	32,298	48,707
7 to 12 months	53,795	34,274
1 to 2 years	51,862	12,109
2 to 3 years	1,678	2,017
Over 3 years	7,145	5,945
	328,092	321,372
Unbilled*	410,284	359,275
	738,376	680,647

* The unbilled balance represents entitlements to 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Prepayments		21,581	49,656
Deposits and other receivables	(a)	204,472	167,008
Due from fellow subsidiaries	(b)	80,759	48,679
Due from non-controlling equity holders of subsidiaries	(b)	19,521	27,426
		326,333	292,769
Impairment		(5,930)	(6,031)
		320,403	286,738
Current portion		(317,089)	(261,720)
Non-current portion		3,314	25,018

Notes:

- (a) Deposits and other receivables mainly represent value added tax recoverable, rental deposits and deposits with suppliers.
- (b) The balances with fellow subsidiaries and non-controlling equity holders of subsidiaries are unsecured, interest-free and repayable on demand.

14. SHARE CAPITAL

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Issued and fully paid:		
1,500,360,150 ordinary shares	2,227,564	2,227,564

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

15. BANK AND OTHER BORROWINGS

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Bank loans			
Unsecured	(b)	4,704	12,182
Secured	(c)	1,082,444	943,438
		1,087,148	955,620
Other loans – unsecured			
The immediate holding company	(d)	2,693,300	–
Fellow subsidiaries	(e)	1,814,643	678,585
Others	(f)	37,294	38,659
		4,545,237	717,244
Total bank and other borrowings		5,632,385	1,672,864
Portion classified as current liabilities		(200,823)	(217,914)
Non-current portion		5,431,562	1,454,950

Notes:

- (a) At 30 June 2022, the Group's bank and other borrowings which denominated in HK\$ and RMB amounted to HK\$2,693,300,000 (31 December 2021: Nil) and HK\$2,939,085,000 (31 December 2021: HK\$1,672,864,000), respectively.
- (b) The Group's unsecured bank loan as at 30 June 2022 bears interest at one year Loan Prime Rate (the "LPR") promulgated by the People's Bank of China plus 35 basis points and is repayable by installments up to 2024. The Group's unsecured bank loan as at 31 December 2021 bore interest at five years or above LPR less 55 basis points and was repaid during the current period.
- (c) At 30 June 2022, the Group's secured bank loans bear interest at five years or above LPR less 58.3 to 87 basis points (31 December 2021: less 2 to 87 basis points) and are repayable by installments up to 2032 (31 December 2021: up to 2030). They are secured by mortgage over certain solid waste treatment concession rights of the Group, which comprises operating concessions and receivables under service concession arrangements with an aggregate net carrying amount of HK\$2,195,567,000 (31 December 2021: HK\$2,014,642,000), which are managed by the Group pursuant to the relevant service concession arrangements signed with the grantors.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

15. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

- (d) At 30 June 2022, the loan advanced from Idata Finance Trading Limited (“Idata”), the immediate holding company, bears interest at 1.7% per annum and is repayable in December 2024.
- (e) The loans from fellow subsidiaries as at 30 June 2022 comprised the following: (i) loans advanced from 北京控股集團財務有限公司 (“BG Finance”) amounting to HK\$873,467,000 (31 December 2021: HK\$678,585,000), which bear interest at rates ranging from one year LPR plus 30 basis points to five years or above LPR (31 December 2021: five years or above LPR less 4.4 to plus 10.3 basis points), and are repayable by installments up to 2035 (31 December 2021: up to 2035); and (ii) a loan advanced from 北京控股投資管理有限公司 (“BG Management”) amounting to HK\$941,176,000 (31 December 2021: Nil) which bears interest at 3.85% per annum and is repayable in December 2024.
- (f) At 30 June 2022, these loans bear interest at 4.35% per annum (31 December 2021: 4.35%), are repayable on demand and advanced from (i) a non-controlling equity holder of a subsidiary in a total amount of HK\$11,529,000 (31 December 2021: HK\$11,951,000); and (ii) third parties in a total amount of HK\$25,765,000 (31 December 2021: HK\$26,708,000).

16. TRADE PAYABLES

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Billed:		
Less than 3 months	162,368	179,351
4 to 6 months	63,634	77,880
7 to 12 months	55,710	152,721
Over 1 year	184,715	99,520
	466,427	509,472
Unbilled*	217,335	227,582
	683,762	737,054

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

Included in the trade payables of the Group is an amount of HK\$35,647,000 (31 December 2021: HK\$36,952,000) due to a non-controlling equity holder of a subsidiary, arising from transactions carried out in the ordinary course of business of the Group. The balance is unsecured, interest-free and repayable on credit terms similar to those offered by the non-controlling equity holder of a subsidiary to its major customers.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

17. OTHER PAYABLES AND ACCRUALS

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Other payables	(a)	90,641	72,005
Contract liabilities		56,501	49,066
Lease liabilities		47,564	14,981
Accruals		28,005	41,667
Due to the immediate holding company	(b)	22,705	2,693,300
Due to fellow subsidiaries	(b)	150,147	1,164,677
Due to a joint venture	(b)	4,475	5,522
Total other payables and accruals		400,038	4,041,218
Current Portion		(362,231)	(4,033,254)
Non-current portion		37,807	7,964

Notes:

- (a) Other payables are non-interest-bearing and have an average term of three to six months.
- (b) The balances with the immediate holding company, fellow subsidiaries and a joint venture are unsecured, interest-free and repayable on demand.

On 28 March 2022, the Company entered into a loan agreement with Idata, the immediate holding company, to refinance the amount due to it of HK\$2,693,300,000 (note 15(d)).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

18. CAPITAL COMMITMENTS

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Contracted, but not provided for:		
Service concession arrangements on a BOO basis	17,661	45,516
Service concession arrangements on a BOT basis	623,978	997,549
	641,639	1,043,065

19. RELATED PARTY DISCLOSURES

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

Name of related party	Nature of transactions	Notes	For the six months ended 30 June	
			2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Immediate holding company: Idata	Interest expense	(i)	22,705	–
Fellow subsidiaries: 北海北控環境科技發展 有限公司 ("Beihai Beikong")	Sale of equipment*	(ii)	146,660	–
北京北控宏創科技有限公司 ("Hong Chuang")	Rental income#	(iii)	–	1,539
BG Finance	Interest income#	(iv)	56	60
BG Finance	Interest expense	(v)	19,499	16,907
BG Management	Interest expense	(v)	24,739	–

* These transactions constitute connected transactions of the Company that are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

19. RELATED PARTY DISCLOSURES (CONTINUED)

(a) (continued)

Notes:

- (i) The interest expense payable to Idata was mutually agreed between the Company (as borrower) and Idata (as lender) under the loan agreement in the loan principal amount of HK\$2,693,300,000 dated 28 March 2022. The loan has a three-year tenure, is unsecured and bears interest at 1.7% per annum, which was determined with reference to the prevailing market rates.
- (ii) The sale of equipment to Beihai Beikong were mutually agreed between 北京北控環境保護有限公司 (as vendor), a wholly-owned subsidiary of the Company, and Beihai Beikong (as purchaser) under the supply contract dated 3 September 2021. Further details of the transaction are set out in the circular of the Company dated 30 September 2021.
- (iii) The rental income received from Hong Chuang in respect of Block 5, Beikong Hong Chuang Technology Park, Beijing, the PRC was mutually agreed between the parties under the property escrow agreements dated 25 October 2018 and was determined with reference to the prevailing market rent generally applicable to similar properties in the market. Further details of the transaction are set out in the announcement of the Company dated 25 October 2018.
- (iv) The interest income received from BG Finance was mutually agreed between the parties under the deposit services master agreement dated 23 December 2020, pursuant to which the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time for the period from 1 January 2021 to 31 December 2023. The deposit rate will not be lower than (i) the minimum interest rate prescribed by the People's Bank of China; (ii) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group; and (iii) the interest rates offered by BG Finance to other members of 北京控股集團有限公司 ("BEGCL"), for the same type of deposits at the same period; and the cumulative daily outstanding deposit balance in Hong Kong dollars equivalent placed by the Group with BG Finance (including any interest accrued thereon) during the term of the agreement will not exceed HK\$40,000,000. The deposits placed by the Group with BG Finance as at 30 June 2022 amounted to HK\$30,866,000 (31 December 2021: HK\$32,362,000). Further details of the transaction are set out in the announcement of the Company dated 23 December 2020.
- (v) The interest expenses were paid for loans obtained from BG Finance and BG Management and the interest rates were mutually agreed with BG Finance and BG Management, respectively, with reference to the prevailing market rates.

(b) Outstanding balances with related parties

- (i) Details of the Group's balances with the immediate holding company, fellow subsidiaries, a joint venture and non-controlling equity holders of subsidiaries included in prepayments, deposits and other receivables, bank and other borrowings, trade payables and other payables and accruals as at the end of the reporting period are disclosed in notes 13, 15, 16 and 17 to the financial information, respectively.
- (ii) Details of the Group's cash deposits placed in the fellow subsidiary and other loans borrowed from the immediate holding company, the fellow subsidiaries and the non-controlling equity holder of a subsidiary as at the end of the reporting period are disclosed in notes 19(a)(iv) and 15(d), (e) and (f) to the financial information, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2022

19. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Short term employee benefits	7,489	7,227
Post-employment benefits	434	466
Total compensation paid to key management personnel	7,923	7,693

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

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

20. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 30 June 2022 amounted to HK\$1,861,079,000 (31 December 2021: net current liabilities of HK\$2,095,285,000) and HK\$9,806,351,000 (31 December 2021: HK\$5,852,611,000), respectively.

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 31 August 2022.

DISCLOSEABLE INFORMATION

DIRECTORS

The directors of the Company during the six months ended 30 June 2022 and up to the date of this report were:

Executive directors:

Mr. Ke Jian (Chairman)
Ms. Sha Ning
Mr. Chen Xinguo (Chief Executive Officer)
Mr. Yu Jie
Mr. Ng Kong Fat, Brian

Independent non-executive directors:

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

CHANGES IN DIRECTORS' INFORMATION

Since the date of the Company's 2021 annual report, there has been no material change in the directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

At 30 June 2022, no director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the transactions with its fellow subsidiaries, further details of which are set out in note 19(a) to the interim condensed consolidated financial information, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transaction, arrangement or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the six months ended 30 June 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2022 and up to the date of this report, Mr. Ke Jian, Ms. Sha Ning and Mr. Chen Xinguo are vice presidents of BEHL, which is also involved in the solid waste treatment business. They are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

DISCLOSEABLE INFORMATION (CONTINUED)

DIRECTORS' INTERESTS IN COMPETING BUSINESS (CONTINUED)

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

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

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

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

At 30 June 2022, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

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

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

Save as disclosed above, as at 30 June 2022, none of the directors and chief executive had registered an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the six months ended 30 June 2022 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DISCLOSEABLE INFORMATION (CONTINUED)

CONTRACT OF SIGNIFICANCE

Save as the transactions with its fellow subsidiaries, further details of which are set out in note 19(a) to the interim condensed consolidated financial information, no contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director had a material interest, whether directly or indirectly, subsisted during the six months ended 30 June 2022 or at 30 June 2022.

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

At 30 June 2022, the following interests and short positions of 5% or more of share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

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

Notes:

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

Save as disclosed above, as at 30 June 2022, no person, other than the directors, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DISCLOSEABLE INFORMATION *(CONTINUED)*

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2022.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, save as disclosed below, the Company has complied with all the applicable code provisions (the “Code Provisions”) of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2022.

- (1) Under Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation of a majority of directors entitled to present. However, the Company considers it is more efficient to hold board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the directors.
- (2) Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for non-executive directors to voice their views by individual communication with the chairman of the board.
- (3) Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, all existing non-executive directors of the Company are not appointed for a specific term but subject to retirement by rotation at the annual general meeting in accordance with the Company’s articles of association.
- (4) Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, certain independent non-executive directors of the Company were unable to attend the 2022 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 2022.

CORPORATE GOVERNANCE *(CONTINUED)*

AUDIT COMMITTEE

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

The Audit Committee has reviewed the interim results, financial positions, risk management, internal control, impacts of the new accounting standards and management issues of the Group during the six months ended 30 June 2022.

RISK MANAGEMENT AND INTERNAL CONTROL

The board of directors has overall responsibility for the Group's risk management and internal control systems and for reviewing their effectiveness. The Board will conduct regular review regarding internal control systems of the Group. The Company convened meeting periodically to discuss financial, operational and risk management control. During the six months ended 30 June 2022, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.