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北控清潔能源集團有限公司
BEIJING ENTERPRISES CLEAN ENERGY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

- The Group reported revenue of approximately HK\$3,401.7 million (six months ended 30 June 2018: approximately HK\$3,897.2 million), representing a decrease of approximately 13% as compared to the corresponding period of last year. Nevertheless, as a result of the change in the Group's revenue and business structure carried out during the year ended 31 December 2018, the Group's gross profit ratio increased from 37.7% for the six months ended 30 June 2018 to 47.7% for the six months ended 30 June 2019, and the total gross profit for the six months ended 30 June 2019 increased by 10% as compared to the corresponding period of last year.
- Profit attributable to the equity holders of the Company was approximately HK\$590.2 million (six months ended 30 June 2018: approximately HK\$690.9 million), representing a decrease of approximately 15% as compared to the corresponding period of last year. Such decrease was primarily attributable to the combined effect of (i) the decrease in administrative expenses as a result of the Group's cost control efforts during the period; (ii) the increase in finance costs attributable to the increases in average total balances of bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables for the period as compared to the corresponding period of last year; and (iii) the increase in profit attributable to the Group's non-controlling interests as a result of the increased profit for the period of certain non-wholly-owned subsidiaries of the Group as compared to the corresponding period of last year.
- EBITDA amounted to approximately HK\$1,918.8 million (six months ended 30 June 2018: approximately HK\$1,664.9 million), representing an increase of approximately 15% as compared to the corresponding period of last year.
- Basic and diluted earnings per share for the six months ended 30 June 2019 were HK0.87 cent (six months ended 30 June 2018: HK1.09 cents) and HK0.87 cent (six months ended 30 June 2018: HK1.09 cents) respectively.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Enterprises Clean Energy Group Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019 and the unaudited interim condensed consolidated statement of financial position of the Group as at 30 June 2019, together with comparative figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

| | | For the six months ended 30 June | |
|---|-------|-------------------------------------|--------------|
| | | 2019 | 2018 |
| | | (unaudited) | (unaudited) |
| | Notes | HK\$'000 | HK\$'000 |
| REVENUE | 3 | 3,401,678 | 3,897,240 |
| Cost of sales | | (1,779,086) | (2,428,222) |
| Gross profit | | 1,622,592 | 1,469,018 |
| Other income and gains, net | 3 | 124,734 | 128,562 |
| Selling and distribution expenses | | (2,586) | (9,827) |
| Administrative expenses | | (254,251) | (369,837) |
| Other operating expenses, net | | (37,508) | (15,209) |
| Finance costs | 5 | (584,319) | (424,502) |
| Share of profits and losses of: | | | |
| Joint ventures | | (231) | (4,939) |
| Associates | | (25,737) | (2,414) |
| PROFIT BEFORE TAX | 4 | 842,694 | 770,852 |
| Income tax expense | 6 | (148,118) | (62,843) |
| PROFIT FOR THE PERIOD | | 694,576 | 708,009 |
| ATTRIBUTABLE TO: | | | |
| Equity holders of the Company | | 590,160 | 690,921 |
| Non-controlling interests | | 104,416 | 17,088 |
| | | 694,576 | 708,009 |
| EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | 8 | | |
| Basic | | HK0.87 cent | HK1.09 cents |
| Diluted | | HK0.87 cent | HK1.09 cents |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

| | For the six months ended 30 June | |
|--|-------------------------------------|----------------|
| | 2019 | 2018 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| PROFIT FOR THE PERIOD | 694,576 | 708,009 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| <i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i> | | |
| Exchange fluctuation reserve: | | |
| Translation of foreign operations | (45,266) | (373,459) |
| Release upon disposal of subsidiaries | 1,632 | (16,526) |
| Share of other comprehensive income/(loss) of joint ventures | 132 | (3,526) |
| Share of other comprehensive loss of associates | (1,112) | (12,610) |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX | (44,614) | (406,121) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u>649,962</u> | <u>301,888</u> |
| ATTRIBUTABLE TO: | | |
| Equity holders of the Company | 546,415 | 300,904 |
| Non-controlling interests | <u>103,547</u> | <u>984</u> |
| | <u>649,962</u> | <u>301,888</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

| | | 30 June 2019 (unaudited) <i>HK\$'000</i> | 31 December 2018 (audited) <i>HK\$'000</i> |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 21,583,348 | 19,344,147 |
| Investment properties | | 175,000 | 175,000 |
| Prepaid land lease payments | | – | 236,522 |
| Goodwill | | 504,558 | 500,567 |
| Operating concessions | | 1,898,535 | 1,894,524 |
| Operating rights | | 970,822 | 994,468 |
| Other intangible assets | | 18,664 | 22,030 |
| Investments in joint ventures | | 140,860 | 140,959 |
| Investments in associates | | 814,057 | 703,510 |
| Financial assets at fair value through profit or loss | | 271,978 | 263,124 |
| Financial asset at fair value through other comprehensive income | | 7,211 | 7,205 |
| Prepayments, deposits and other receivables | | 3,234,790 | 3,027,822 |
| Other tax recoverables | | 1,284,613 | 1,292,153 |
| Other non-current assets | | 102,896 | 102,802 |
| Deferred tax assets | | 33,849 | 33,818 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 31,041,181 | 28,738,651 |
| CURRENT ASSETS | | | |
| Inventories | | 99,542 | 157,766 |
| Contract assets | 9 | 5,159,847 | 4,501,672 |
| Trade and bills receivables | 10 | 4,302,350 | 3,289,596 |
| Prepaid land lease payments | | – | 18,220 |
| Prepayments, deposits and other receivables | | 3,690,566 | 2,754,169 |
| Other tax recoverables | | 1,334,846 | 886,818 |
| Restricted cash and pledged deposits | | 163,441 | 292,896 |
| Cash and cash equivalents | | 4,283,254 | 2,768,362 |
| | | <hr/> | <hr/> |
| Total current assets | | 19,033,846 | 14,669,499 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 11 | 5,850,592 | 4,375,776 |
| Other payables and accruals | | 4,802,463 | 5,101,138 |
| Interest-bearing bank and other borrowings | 12 | 1,869,118 | 1,508,886 |
| Finance lease payables | 13 | – | 1,449,862 |
| Lease liabilities | 13 | 2,838,267 | – |
| Income tax payables | | 172,262 | 158,595 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 15,532,702 | 12,594,257 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2019

| | | 30 June 2019 (unaudited) <i>HK\$'000</i> | 31 December 2018 (audited) <i>HK\$'000</i> |
|---|--------------|---|---|
| | <i>Notes</i> | | |
| NET CURRENT ASSETS | | 3,501,144 | 2,075,242 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 34,542,325 | 30,813,893 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | <i>12</i> | 9,688,963 | 6,041,281 |
| Finance lease payables | <i>13</i> | – | 13,242,491 |
| Lease liabilities | <i>13</i> | 12,528,482 | – |
| Other non-current liabilities | | 102,409 | 101,987 |
| Deferred income | | 376,986 | 232,885 |
| Deferred tax liabilities | | 347,264 | 319,842 |
| Total non-current liabilities | | 23,044,104 | 19,938,486 |
| Net assets | | 11,498,221 | 10,875,407 |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | <i>14</i> | 63,525 | 63,525 |
| Perpetual capital instrument | <i>15</i> | 1,176,467 | 1,137,776 |
| Reserves | | 9,346,003 | 8,878,287 |
| Non-controlling interests | | 10,585,995 | 10,079,588 |
| | | 912,226 | 795,819 |
| Total equity | | 11,498,221 | 10,875,407 |

NOTES:

1.1 CORPORATE AND GROUP INFORMATION

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

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

1.2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The interim financial information does not include all the information and disclosures in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018. The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are the same as those adopted in the annual financial statements for the year ended 31 December 2018 except for the changes in accounting policies made thereafter in adopting the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, which became effective for the first time for the current period’s financial statements, as further detailed in note 1.3 below.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial information:

| | |
|--|---|
| Amendments to HKFRS 9 | <i>Prepayment Features with Negative Compensation</i> |
| HKFRS 16 | <i>Leases</i> |
| Amendments to HKAS 19 | <i>Plan Amendment, Curtailment or Settlement</i> |
| Amendments to HKAS 28 | <i>Long-term Interests in Associates and Joint Ventures</i> |
| HK (IFRIC) – Int 23 | <i>Uncertainty over Income Tax Treatments</i> |
| <i>Annual Improvements 2015-2017 Cycle</i> | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 |

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of the above new and revised standards has had no significant financial effect on the interim financial information. The nature and the impact of the changes are described below:

HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 16 *Leases* (Continued)

As a lessee

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of leasehold land, property, machinery and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Adoption of HKFRS 16

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities.

The right-of-use assets amounting to HK\$549,882,000 were recognised on 1 January 2019 based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. In addition, lease assets recognised previously under prepaid land lease payments and prepayments, deposits and other receivables of HK\$254,742,000 and HK\$47,185,000 respectively were reclassified as right-of-use assets. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to include the right-of-use assets in “Property, plant and equipment” on the face of the interim condensed consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Adoption of HKFRS 16 (Continued)

Impacts on transition (Continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

| | Increase/ (decrease) (Unaudited) <i>HK\$'000</i> |
|---|---|
| Assets | |
| Property, plant and equipment | 851,809 |
| Prepaid land lease payments | (254,742) |
| Prepayments, deposits and other receivables | (47,185) |
| | <hr/> |
| Total assets | 549,882 |
| | <hr/> <hr/> |
| Liabilities | |
| Lease liabilities | 15,260,167 |
| Finance lease payables | (14,692,353) |
| Deferred tax liabilities | 33,647 |
| | <hr/> |
| Total liabilities | 601,461 |
| | <hr/> <hr/> |
| Retained earnings | (51,579) |
| | <hr/> <hr/> |

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

| | (Unaudited) <i>HK\$'000</i> |
|---|--------------------------------|
| Operating lease commitments as at 31 December 2018 | 858,128 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 4.90% |
| | <hr/> |
| Discounted operating lease commitments as at 1 January 2019 | 580,049 |
| <i>Less:</i> Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 | (12,235) |
| <i>Add:</i> Commitments relating to leases previously classified as finance leases | 14,692,353 |
| | <hr/> |
| Lease liabilities as at 1 January 2019 | 15,260,167 |
| | <hr/> <hr/> |

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Adoption of HKFRS 16 (Continued)

Impacts on transition (Continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. OPERATING SEGMENT INFORMATION

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

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the assets of the Group are located in Mainland China. Accordingly, in the opinion of the Directors, the presentation of geographical information would provide no additional useful information to the users of this financial information.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------------|
| | 2019 (unaudited) HK\$'000 | 2018 (unaudited) HK\$'000 |
| Revenue from contracts with customers | | |
| Sale of electricity with tariff adjustment* | | |
| Photovoltaic Power Business | 1,478,148 | 1,276,767 |
| Wind Power Business | 111,525 | 42,669 |
| Construction services | 1,146,515 | 2,247,325 |
| Technical consultancy services | 72,611 | 128,502 |
| Entrusted operations | 133,793 | 154,147 |
| Provision of clean heat supply services | 459,086 | 47,830 |
| | <u>3,401,678</u> | <u>3,897,240</u> |
| Other income and gains, net | | |
| Bank interest income | 7,990 | 21,957 |
| Other interest income | 31,604 | 27,663 |
| Government grants | 72,335 | 41,444 |
| Gains on bargain purchase of subsidiaries | 3,487 | – |
| Gains on disposal of interests in subsidiaries | – | 34,671 |
| Others | 9,318 | 2,827 |
| | <u>124,734</u> | <u>128,562</u> |

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

4. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|---|-------------------------------------|-------------|
| | 2019 | 2018 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Cost of sales of electricity | 510,866 | 445,127 |
| Cost of construction services | 914,175 | 1,912,267 |
| Cost of technical consultancy services | 11,297 | 17,066 |
| Cost of services in relation to entrusted operations | 21,353 | 20,027 |
| Cost of clean heat supply services | 321,395 | 33,735 |
| Depreciation of property, plant and equipment | 128,579 | 406,796 |
| Depreciation of right-of-use assets recognised under property, plant and equipment | 298,897 | – |
| Amortisation of prepaid land lease payments | – | 21,447 |
| Amortisation of operating concessions | 37,778 | 24,926 |
| Amortisation of operating rights | 24,943 | 15,383 |
| Amortisation of other intangible assets | 1,599 | 1,017 |
| Foreign exchange differences, net | 4,505 | 13,733 |

5. FINANCE COSTS

An analysis of finance costs is as follows:

| | For the six months ended 30 June | |
|--|-------------------------------------|-------------|
| | 2019 | 2018 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest on bank and other loans | 174,674 | 125,131 |
| Interest on finance leases | – | 335,918 |
| Interest on lease liabilities under finance lease arrangements | 452,088 | – |
| Interest on other lease liabilities | 19,062 | – |
| Total interest expenses | 645,824 | 461,049 |
| Less: Interest capitalised | (61,505) | (36,547) |

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2018: Nil).

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

| | For the six months ended 30 June | |
|----------------------------------|-------------------------------------|---------------|
| | 2019 | 2018 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Current – Mainland China | 153,888 | 63,447 |
| Deferred | (5,770) | (604) |
| Total tax expense for the period | <u>148,118</u> | <u>62,843</u> |

7. INTERIM DISTRIBUTION

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil). No 2018 final dividend was declared during the interim period.

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

The calculations of the basic earnings per share amounts is based on the profit attributable to the equity holders of the Company, adjusted for the distribution related to the perpetual capital instrument, for the six months ended 30 June 2019 and 2018, and the weighted average number of ordinary shares in issue during the periods.

The calculations of the diluted earnings per share amounts is based on the profit attributable to the equity holders of the Company, adjusted for the distribution related to the perpetual capital instrument, for the six months ended 30 June 2019 and 2018, and the weighted average number of ordinary shares in issue during the periods. No adjustment has been made to the basic earnings per share amounts for the six months ended 30 June 2019 and 2018 in respect of the outstanding share options of the Company as there is no dilutive effect on the earnings per share amounts.

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

| | For the six months ended 30 June | |
|--|-------------------------------------|----------------|
| | 2019 | 2018 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Earnings | | |
| Profit for the period attributable to equity holders of the Company | 590,160 | 690,921 |
| Distribution related to the perpetual capital instrument | (38,691) | – |
| Profit used in the basic and diluted earnings per share calculations | <u>551,469</u> | <u>690,921</u> |

**8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
(Continued)**

| | For the six months ended 30 June | |
|--|---|----------------|
| | 2019 | 2018 |
| | (unaudited) | (unaudited) |
| Number of ordinary shares | | |
| Weighted average number of ordinary shares in issue during the period, used in the basic and diluted earnings per share calculations | 63,525,397,057 | 63,525,397,057 |
| Basic earnings per share | HK0.87 cent | HK1.09 cents |
| Diluted earnings per share | HK0.87 cent | HK1.09 cents |

9. CONTRACT ASSETS

| | 30 June 2019 | 31 December 2018 |
|---|-------------------------|---------------------|
| | (unaudited) | (audited) |
| | HK\$'000 | HK\$'000 |
| Tariff adjustment receivables (<i>note (a)</i>) | 3,260,157 | 2,491,836 |
| Construction contracts (<i>note (b)</i>) | 1,346,208 | 1,693,796 |
| Retention money (<i>note (b)</i>) | 585,389 | 339,917 |
| | 5,191,754 | 4,525,549 |
| <i>Less: Impairment</i> | (31,907) | (23,877) |
| Total | 5,159,847 | 4,501,672 |

Notes:

- (a) Tariff adjustment receivables included in contract assets represented the central government renewable energy subsidy for the Group's photovoltaic and wind power plant projects that are to be billed and settled upon registering into the Renewable Energy Tariff Subsidy Catalogues (the "**Subsidy Catalogues**"). In the opinion of the Directors, the registration procedures of the Subsidy Catalogues for the Group's photovoltaic and wind power plant projects are of administrative in nature and the Group will comply with the related procedures stipulated by the current government policy in Mainland China and all other attaching conditions, if any.
- (b) Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on construction progress. Included in contract assets for construction services are retention receivables. Upon completion of certain milestones as agreed with customers and such being accepted by them, the amounts recognised as contract assets are reclassified to trade receivables.

10. TRADE AND BILLS RECEIVABLES

| | 30 June 2019 (unaudited) HK\$'000 | 31 December 2018 (audited) HK\$'000 |
|---|--|--|
| Trade receivables | 2,748,893 | 1,971,260 |
| Bills receivable | 671,841 | 625,804 |
| | 3,420,734 | 2,597,064 |
| Tariff adjustment receivables (<i>note</i>) | 919,057 | 711,821 |
| | 4,339,791 | 3,308,885 |
| <i>Less: Impairment</i> | (37,441) | (19,289) |
| Total | 4,302,350 | 3,289,596 |

Note: Tariff adjustment receivables included in trade receivables represent the central government renewable energy subsidy for the Group's photovoltaic and wind power plant projects that have been registered into the Subsidy Catalogues.

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

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

The ageing analysis of trade and bills receivables (excluding tariff adjustment receivables) as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follow:

| | 30 June 2019 (unaudited) HK\$'000 | 31 December 2018 (audited) HK\$'000 |
|-----------------|--|--|
| Within 3 months | 757,002 | 1,507,668 |
| 4 to 6 months | 534,195 | 72,498 |
| 7 to 12 months | 1,155,005 | 423,238 |
| Over 1 year | 937,091 | 574,371 |
| | 3,383,293 | 2,577,775 |

10. TRADE AND BILLS RECEIVABLES (Continued)

The ageing analysis of the tariff adjustment receivables as at the end of the reporting period, based on the revenue recognition date and net of loss allowance, is as follows:

| | 30 June 2019 (unaudited) HK\$'000 | 31 December 2018 (audited) HK\$'000 |
|-----------------|--|--|
| Within 3 months | 126,465 | 92,353 |
| 4 to 6 months | 87,233 | 109,797 |
| 7 to 12 months | 202,334 | 202,600 |
| Over 1 year | 503,025 | 307,071 |
| | <u>919,057</u> | <u>711,821</u> |

11. TRADE AND BILLS PAYABLES

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

| | 30 June 2019 (unaudited) HK\$'000 | 31 December 2018 (audited) HK\$'000 |
|-----------------|--|--|
| Within 3 months | 947,204 | 2,594,226 |
| 4 to 6 months | 1,358,827 | 206,028 |
| 7 to 12 months | 2,142,127 | 488,561 |
| 1 to 2 years | 1,038,782 | 997,291 |
| Over 2 years | 363,652 | 89,670 |
| | <u>5,850,592</u> | <u>4,375,776</u> |

The trade payables are non-interest-bearing. Trade and bills payables are normally settled on terms of 30 days to 180 days.

Included in the trade and bills payables are trade payables of HK\$13,440,000 (31 December 2018: HK\$44,084,000) due to an associate which are generally repayable within 30 to 90 days.

The Group's bills payables amounting to HK\$872,158,000 (31 December 2018: HK\$331,109,000) were secured by the pledged bank deposits as at 30 June 2019.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 30 June 2019 (unaudited) HK\$'000 | 31 December 2018 (audited) HK\$'000 |
|--|--|--|
| Bank and other loans: | | |
| Secured | 2,662,744 | 1,525,583 |
| Unsecured | <u>8,895,337</u> | <u>6,024,584</u> |
| Total bank and other borrowings | <u>11,558,081</u> | <u>7,550,167</u> |
| Analysed into: | | |
| Bank and other loans repayable: | | |
| Within one year or on demand (<i>note (c)</i>) | 1,869,118 | 1,508,886 |
| In the second year | 3,813,007 | 2,636,008 |
| In the third to fifth years, inclusive | 4,330,350 | 2,591,267 |
| Beyond five years | <u>1,545,606</u> | <u>814,006</u> |
| Total bank and other borrowings | 11,558,081 | 7,550,167 |
| Portion classified as current liabilities | <u>(1,869,118)</u> | <u>(1,508,886)</u> |
| Non-current portion | <u>9,688,963</u> | <u>6,041,281</u> |

Notes:

- (a) Certain of the Group's bank and other loans are secured by:
- (i) guarantees given by the Company and/or its subsidiaries;
 - (ii) pledges over the trade receivables of certain subsidiaries;
 - (iii) pledges over certain of the Group's bank balances; and/or
 - (iv) pledges over certain of the Group's property, plant and equipment.
- (b) The Group's bank and other borrowings in an aggregate amount of HK\$11,368,966,000 (31 December 2018: HK\$7,480,282,000) as at 30 June 2019 bear interest at floating rates with effective interest rates ranging from 2.90% to 5.96% (31 December 2018: 2.90% to 5.96%).
- (c) As at 30 June 2019, bank loans with an aggregate principal amount of HK\$350,000,000 (31 December 2018: Nil) contained on demand repayment clauses and therefore have been recognised as current liabilities, which were included in the above analysis as unsecured current interest-bearing bank and other borrowings and bank and other loans repayable within one year or on demand.
- (d) Certain bank borrowing agreements of the Group include conditions imposing specific performance obligations on a substantial beneficial owner of the Company.

13. LEASE LIABILITIES/FINANCE LEASE PAYABLES

Lease liabilities presenting under HKFRS 16

| | 30 June 2019 (unaudited) <i>HK\$'000</i> | 1 January 2019 (unaudited) <i>HK\$'000</i> | 31 December 2018 (audited) <i>HK\$'000</i> |
|---|---|--|--|
| Lease liabilities under finance lease arrangements (<i>notes</i>) | 14,601,807 | 14,692,353 | – |
| Other lease liabilities | 764,942 | 567,814 | – |
| Total lease liabilities | 15,366,749 | 15,260,167 | – |
| Portion classified as current liabilities | (2,838,267) | (1,476,139) | – |
| Non-current portion | 12,528,482 | (13,784,028) | – |

Disclosures of the lease liabilities under finance lease arrangements as at 30 June 2019

| | 30 June 2019 (unaudited) <i>HK\$'000</i> | 31 December 2018 (audited) <i>HK\$'000</i> |
|---|---|---|
| Lease liabilities under finance lease arrangements repayable: | | |
| Within one year | 2,792,402 | – |
| In the second year | 1,855,313 | – |
| In the third to fifth years, inclusive | 5,583,228 | – |
| Beyond five years | 4,370,864 | – |
| Total lease liabilities under finance lease arrangements | 14,601,807 | – |
| Portion classified as current liabilities | (2,792,402) | – |
| Non-current portion | 11,809,405 | – |

13. LEASE LIABILITIES/FINANCE LEASE PAYABLES (Continued)

Finance lease payables presenting under HKAS 17

| | 30 June 2019 (unaudited) HK\$'000 | 31 December 2018 (audited) HK\$'000 |
|---|--|--|
| Current portion | – | 1,449,862 |
| Non-current portion | – | 13,242,491 |
| | <hr/> | <hr/> |
| Total finance lease payables (<i>notes</i>) | – | 14,692,353 |
| | <hr/> <hr/> | <hr/> <hr/> |

Disclosures of the total future minimum lease payments under the finance leases as at 31 December 2018 and their present values

| | Minimum lease payments 31 December 2018 (audited) HK\$'000 | Present value of minimum lease payments 31 December 2018 (audited) HK\$'000 |
|---|--|---|
| Amounts repayable: | | |
| Within one year | 2,311,689 | 1,449,862 |
| In the second year | 3,590,667 | 2,839,356 |
| In the third to fifth years, inclusive | 7,056,078 | 5,622,940 |
| Over five years | 5,293,293 | 4,780,195 |
| | <hr/> | <hr/> |
| Total minimum finance lease payments | 18,251,727 | 14,692,353 |
| | <hr/> | <hr/> <hr/> |
| Future finance charges | (3,559,374) | |
| | <hr/> | |
| Total net finance lease payables | 14,692,353 | |
| Portion classified as current liabilities | (1,449,862) | |
| | <hr/> | |
| Non-current portion | 13,242,491 | |
| | <hr/> <hr/> | |

Notes:

- (a) Upon adoption of HKFRS 16 on 1 January 2019, finance lease payables were reclassified as lease liabilities under finance lease arrangements. Details of the adoption of HKFRS 16 are set out in note 1.3 to this financial information.
- (b) The Group leases certain property, plant and equipment for its clean energy businesses under finance lease arrangements. The leases had remaining lease terms of 1 month to 12 years as at 30 June 2019 (31 December 2018: 1 to 13 years).

13. LEASE LIABILITIES/FINANCE LEASE PAYABLES (Continued)

(c) Certain of the above finance lease arrangements are secured by:

- (i) guarantees given by the Company and/or its subsidiaries;
- (ii) pledges over the Group's leased assets;
- (iii) pledges over trade receivables of certain subsidiaries;
- (iv) certain concession rights of the Group; and/or
- (v) pledges over the Group's equity interests in certain subsidiaries.

Certain finance lease agreements of the Group include conditions imposing specific performance obligations on a substantial beneficial owner of the Company.

14. SHARE CAPITAL

| | 30 June 2019 (unaudited) HK\$'000 | 31 December 2018 (audited) HK\$'000 |
|---|--|--|
| Authorised: | | |
| Ordinary shares: 466,637,115,100 shares of HK\$0.001 each | 466,637 | 466,637 |
| Convertible preference shares: 33,362,884,900 shares of HK\$0.001 each | <u>33,363</u> | <u>33,363</u> |
| | <u>500,000</u> | <u>500,000</u> |
| Issued and fully paid: | | |
| Ordinary shares: 63,525,397,057 shares of HK\$0.001 each | <u>63,525</u> | <u>63,525</u> |

15. PERPETUAL CAPITAL INSTRUMENT

30 June 2019
(unaudited)
HK\$'000

| | |
|-----------------------------------|-------------------------|
| At beginning | 1,137,776 |
| Share of profit during the period | <u>38,691</u> |
| At end | <u><u>1,176,467</u></u> |

During the year ended 31 December 2018, the Company issued a perpetual capital instrument (the “**Perpetual Capital Instrument**”) with an aggregate principal amount of RMB1,000,000,000 (equivalent to HK\$1,190,476,000). Net proceeds after deducting issue expenses amounted to RMB997,000,000 (equivalent to HK\$1,131,315,000).

The Perpetual Capital Instrument confers the holders a right to receive distributions at the applicable distribution rate of 6.5% per annum, payable annually on 27 November. The distribution rate is subject to review in accordance with the terms thereof at each of the third anniversary from the date of issuance of the Perpetual Capital Instrument. The Company may, at its sole discretion, elect to defer a distribution. In the event when the Company elects to defer a distribution, the Company shall not declare or pay any dividends or reduce its share capital until the distribution deferred is fully settled. The Perpetual Capital Instrument may be redeemed at the option of the Company in whole but not in part, subject to certain conditions under the terms of the Perpetual Capital Instrument. The Perpetual Capital Instrument has no maturity and is classified as equity instruments. No distribution was paid during the period (year ended 31 December 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

During the six months ended 30 June 2019, the Group was principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses (the “**Photovoltaic Power Business**”), wind power businesses (the “**Wind Power Business**”) and clean heat supply businesses (the “**Clean Heat Supply Business**”) in the PRC.

Financial highlights:

| | For the six months ended 30 June | | Change % |
|---|---|---|-------------|
| | 2019 (unaudited) <i>HK\$'000</i> | 2018 (unaudited) <i>HK\$'000</i> | |
| Revenue | 3,401,678 | 3,897,240 | (13) |
| Gross profit | 1,622,592 | 1,469,018 | 10 |
| Gross profit ratio (<i>in percentage</i>) | 47.7 | 37.7 | 10 |
| Profit for the period | 694,576 | 708,009 | (2) |
| Profit attributable to the equity holders of the Company | 590,160 | 690,921 | (15) |
| Basic EPS (<i>in HK cent(s)</i>) | 0.87 | 1.09 | (20) |
| EBITDA | 1,918,809 | 1,664,923 | 15 |
| | 30 June 2019 (unaudited) <i>HK\$'000</i> | 31 December 2018 (audited) <i>HK\$'000</i> | Change % |
| Total assets | 50,075,027 | 43,408,150 | 15 |
| Equity | 11,498,221 | 10,875,407 | 6 |
| Cash and cash equivalents | 4,283,254 | 2,768,362 | 55 |

During the period, the Group continued to focus on the development of businesses with higher gross profit ratio and stronger sustainability (such as sales of electricity and clean heat supply), improve the quality of existing projects, implement cost reduction and efficiency enhancement and reduce the proportion of its construction services business which has a lower gross profit ratio. The Group recorded revenue of HK\$3,401.7 million, representing a decrease of 13% as compared to the corresponding period of last year, while gross profit margin increased to 48% as compared to 38% during the corresponding period of last year, and total gross profit increased by 10% as compared to the corresponding period of last year.

Profit attributable to the equity holders of the Company was HK\$590.2 million, representing a decrease of 15% as compared to the corresponding period of last year. Such decrease was primarily attributable to the combined effect of (i) the decrease in administrative expenses as a result of the Group's cost control efforts during the period; (ii) the increase in finance costs attributable to the increases in average total balances of bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables for the period as compared to the corresponding period of last year; and (iii) the increase in profit attributable to the Group's non-controlling interests as a result of the increased profit for the period of certain non-wholly-owned subsidiaries of the Group as compared to the corresponding period of last year.

Further details of the discussion of financial performance are set out in the section headed "2. Financial Performance" in "Management Discussion and Analysis". Analysis of the business performance is set out below.

1.1 Sale of Electricity and Entrusted Operations

During the period, the Group steadily expanded its operating capacity through the investment, development, construction, operation and management of power plant projects, and the aggregate revenue in respect of the sale of electricity and the provision of entrusted management services amounted to approximately HK\$1,723.5 million (six months ended 30 June 2018: approximately HK\$1,473.6 million), representing an increase of 17% as compared to the corresponding period of last year. The aggregate electricity sales volume in respect of the Group's sale of electricity during the period was approximately 1.76 million (six months ended 30 June 2018: approximately 1.32 million) megawatt-hour ("MWh"), representing an increase of 33% as compared to the corresponding period of last year.

1.1.1 Photovoltaic Power Plant Projects

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

During the period, the Group's centralised photovoltaic power business expanded steadily through acquisition of businesses from independent third parties and development and construction of photovoltaic power plants. The Group recorded revenue of approximately HK\$1,277.7 million (six months ended 30 June 2018: approximately HK\$1,155.3 million) from the sale of electricity from the Group's centralised photovoltaic power plants, representing 38% (six months ended 30 June 2018: 30%) of the Group's total revenue during the period.

As at 30 June 2019, 52 (30 June 2018: 48) centralised photovoltaic power plants covering 12 provinces, 1 municipality and 2 autonomous regions in the PRC and 1 (30 June 2018: Nil) centralised photovoltaic power plant in Whyalla, Southern Australia, Australia were held by the Group and in operation, and the aggregate on-grid capacity of these photovoltaic power plants reached 2,233MW (30 June 2018: 1,967MW), which is analysed below:

| Location | Photovoltaic resource area | Number of plants | For the six months ended 30 June | | | | |
|--|----------------------------|------------------|---|---|------------------|---|---|
| | | | 2019 | | Number of Plants | 2018 | |
| | | | Approximate total on-grid capacity (MW) | Approximate electricity sales volume (note 1) (MWh) | | Approximate total on-grid capacity (MW) | Approximate electricity sales volume (note 1) (MWh) |
| PRC – Subsidiaries: | | | | | | | |
| Hebei Province | II/III | 16 | 446 | 296,046 | 15 | 377 | 216,834 |
| Henan Province | III | 3 | 264 | 174,806 | 3 | 264 | 179,335 |
| Anhui Province | III | 6 | 191 | 97,446 | 7 | 250 | 125,342 |
| Shandong Province | III | 5 | 248 | 175,946 | 5 | 244 | 155,333 |
| Jiangsu Province | III | 3 | 220 | 97,503 | 2 | 120 | 27,411 |
| Guizhou Province | III | 4 | 211 | 115,831 | 3 | 155 | 78,965 |
| Shaanxi Province | II | 2 | 160 | 130,456 | 2 | 160 | 123,620 |
| Jiangxi Province | III | 3 | 125 | 53,318 | 3 | 125 | 64,002 |
| Ningxia Hui Autonomous Region | I | 1 | 100 | 73,049 | 1 | 100 | 73,891 |
| Hubei Province | III | 2 | 43 | 19,642 | 2 | 43 | 20,997 |
| Jilin Province | II | 1 | 30 | 27,017 | 1 | 30 | 23,960 |
| Tibet Autonomous Region | III | 1 | 30 | 20,154 | 1 | 30 | 12,942 |
| Tianjin Municipality | II | 1 | 30 | 22,492 | – | – | – |
| Yunnan Province | II | 1 | 22 | 18,117 | 1 | 22 | 17,234 |
| Shanxi Province | III | 1 | 20 | 14,444 | 1 | 20 | 15,622 |
| | | <u>50</u> | <u>2,140</u> | <u>1,336,267</u> | <u>47</u> | <u>1,940</u> | <u>1,135,488</u> |
| PRC – Joint ventures: | | | | | | | |
| Hubei Province | III | 1 | 27 | 12,986 | 1 | 27 | 14,880 |
| Anhui Province | III | 1 | 60 | 35,401 | – | – | – |
| | | <u>2</u> | <u>87</u> | <u>48,387</u> | <u>1</u> | <u>27</u> | <u>14,880</u> |
| PRC – Sub-total | | <u>52</u> | <u>2,227</u> | <u>1,384,654</u> | <u>48</u> | <u>1,967</u> | <u>1,150,368</u> |
| Overseas – Subsidiary: | | | | | | | |
| Whyalla, Southern Australia, Australia | N/A | 1 | 6 | 4,837 | – | – | – |
| Total | | <u>53</u> | <u>2,233</u> | <u>1,389,491</u> | <u>48</u> | <u>1,967</u> | <u>1,150,368</u> |

Most of the Group's projects in the PRC were situated in photovoltaic resource areas II and III as promulgated by the National Development and Reform Commission of the PRC (the "NDRC"), locations considered by the management to be favourable for the development of the Group's Photovoltaic Power Business. Set out below the projects analysis by photovoltaic resource areas:

| Photovoltaic resource area | For the six months ended 30 June | | | | | |
|----------------------------|----------------------------------|---|---|------------------|---|---|
| | Number of plants | 2019 | Approximate | Number of Plants | 2018 | Approximate |
| | | Approximate total on-grid capacity (MW) | electricity sales volume (note 1) (MWh) | | Approximate total on-grid capacity (MW) | electricity sales volume (note 1) (MWh) |
| PRC – Subsidiaries: | | | | | | |
| I | 1 | 100 | 73,049 | 1 | 100 | 73,891 |
| II | 12 | 443 | 344,159 | 11 | 382 | 261,383 |
| III | 37 | 1,597 | 919,059 | 35 | 1,458 | 800,214 |
| | <u>50</u> | <u>2,140</u> | <u>1,336,267</u> | <u>47</u> | <u>1,940</u> | <u>1,135,488</u> |
| PRC – Joint ventures: | | | | | | |
| III | 2 | 87 | 48,387 | 1 | 27 | 14,880 |
| Total | <u>52</u> | <u>2,227</u> | <u>1,384,654</u> | <u>48</u> | <u>1,967</u> | <u>1,150,368</u> |

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

Note 2: During the period, the average unit selling price (excluding value-added tax) per kilowatt-hour of the above projects located in the PRC was approximately RMB0.83.

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

As at 30 June 2019, the Group's aggregate installed capacity of the photovoltaic power plants registered into the Renewable Energy Tariff Subsidy Catalogues (the "**Subsidy Catalogues**") reached approximately 434MW. Among which, an aggregate installed capacity of 407MW was held by the Group's subsidiaries and an installed capacity of 27MW was held by a joint venture of the Group. The Group will continue its effort on registering the remaining photovoltaic power plant projects into the Subsidy Catalogues once upcoming Subsidy Catalogues are available for application.

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

In respect of the distributed photovoltaic power business, as at 30 June 2019, the total installed capacity of the distributed photovoltaic power plants held and/or managed by the Group and in operation achieved over 600MW, mainly located in resource area III as promulgated by the NDRC such as Henan Province, Anhui Province, Shandong Province, Jiangsu Province and Hebei Province, which included the distributed photovoltaic power stations constructed by the Group in certain water plants of Beijing Enterprises Water Group Limited of which the Group sold electricity to respective water plants. Revenue from the sale of electricity from the Group's distributed photovoltaic power plants reached approximately HK\$200.4 million during the period (six months ended 30 June 2018: approximately HK\$121.5 million).

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

| | For the six months ended 30 June | | |
|--|---|------|----------------|
| | 2019 | 2018 | Changes |
| Weighted average curtailment ratio (%) | 1.81 | 3.54 | (1.73) |
| Weighted average utilisation hours (hours) | 659 | 659 | – |

During the period, the national average curtailment ratio of photovoltaic power in the PRC was 2.4% and the national average utilisation hours of photovoltaic power in the PRC were 576 hours. The Group's centralised photovoltaic power plant projects are mainly located in photovoltaic resource areas II and III as promulgated by the NDRC and therefore a relatively low weighted average curtailment ratio was achieved. The further improvement of weighted average curtailment ratio during the period as compared to the corresponding period of last year was mainly attributable to the improvement of curtailment ratio of the projects located in Shaanxi Province and Tibet Autonomous Region.

(e) Entrusted management services

In addition to the above-mentioned sale of electricity from the Group's photovoltaic power plants, the Group provided entrusted management services for photovoltaic power plant projects in the PRC and revenue of approximately HK\$88.8 million (six months ended 30 June 2018: approximately HK\$106.0 million) was recognised during the period.

1.1.2 Wind Power Plant Projects

The improvements of technology, investment cost and curtailment issues enhance the overall competitiveness of the wind power to the traditional power sources, giving rise to new business opportunities and healthier market environment in the wind power industry. With the Group's expertise on, among others, investing, developing and managing wind and other power businesses, the Group is optimistic on expanding its Wind Power Business to contribute its effort in building up a green future of the PRC.

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

During the period, the Group's Wind Power Business expanded steadily. The Group recorded revenue of approximately HK\$111.5 million (six months ended 30 June 2018: approximately HK\$42.7 million) from the sale of electricity from the Group's wind power plants.

As at 30 June 2019, through self-development, joint development, acquisitions, etc., the Group's aggregate capacity of the grid-connected, under-construction and approved-to-construct wind power projects reached over 1,400MW. These projects mainly located in Hebei Province, Henan Province, Shandong Province and the Inner Mongolia Autonomous Region and mainly situated in resource area IV as promulgated by the NDRC. Among which, 5 projects (six months ended 30 June 2018: 1 project) with an aggregate on-grid capacity of 167MW (six months ended 30 June 2018: 48MW) were held by the Group and in operation as at 30 June 2019, which is analysed below:

| Location | Wind resource area | Number of plants | For the six months ended 30 June | | Number of Plants | 2018 | | |
|--------------------------------------|--------------------|------------------|--|---|------------------|--|---|--|
| | | | 2019 Approximate total on-grid capacity (MW) | Approximate electricity sales volume (note 1) (MWh) | | Approximate total on-grid capacity (MW) | Approximate electricity sales volume (note 1) (MWh) | |
| PRC – Subsidiaries: | | | | | | | | |
| The Inner Mongolia Autonomous Region | | | | | | | | |
| | I | 4 | 119 | 144,639 | - | - | - | |
| Shandong Province | | | | | | | | |
| | IV | 1 | 48 | 64,082 | 1 | 48 | 66,883 | |
| Total | | 5 | 167 | 208,721 | 1 | 48 | 66,883 | |

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

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

As at 30 June 2019, the Group's aggregate installed capacity of the wind power plants registered into the Subsidy Catalogues reached 88MW. The Group will continue its effort on registering the remaining wind power plant projects into the Subsidy Catalogues once upcoming Subsidy Catalogues are available for application.

(c) *Key performance data of the wind power plant projects held by the Group and in operation on or before the beginning of the reporting period*

| | For the six months ended 30 June | | |
|--|---|-------|---------|
| | 2019 | 2018 | Changes |
| Weighted average curtailment ratio (%) | 0.07 | 0.17 | (0.10) |
| Weighted average utilisation hours (hours) | 1,538 | 1,393 | 145 |

During the period, the national average curtailment ratio of wind power in the PRC was 4.7% and the national average utilisation hours of wind power in the PRC were 1,133 hours. The Group's wind power plant projects are mainly located in regions with no curtailment issues in general. The improvement of weighted average utilisation hours during the period as compared to the corresponding period of last year was mainly attributable to the higher level of utilisation hours for projects in the Inner Mongolia Autonomous Region.

(d) *Entrusted management services*

In addition to the above-mentioned sale of electricity from the Group's wind power plants, the Group provided entrusted management services for wind power plant projects in the PRC and revenue of approximately HK\$45.0 million (six months ended 30 June 2018: approximately HK\$48.1 million) was recognised during the period.

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

The Group is engaged in the provision of engineering, procurement and construction services for clean energy businesses including photovoltaic and wind power-related projects and clean heat supply projects in the PRC, and has couples of qualification and extensive experience in the design, engineering and construction of power-related projects. During the period, the Group continued to focus on the development of businesses with higher gross profit ratio and stronger sustainability (such as sales of electricity and clean heat supply), improve the quality of existing projects, implement cost reduction and efficiency enhancement and reduce the proportion of its construction services business which has a lower gross profit ratio. Revenue of approximately HK\$1,106.4 million (six months ended 30 June 2018: approximately HK\$2,081.7 million) in aggregate arising from provision of engineering, procurement and construction services was recognised during the period, representing 33% (six months ended 30 June 2018: 53%) of the Group's total revenue during the period and a decrease of 47% as compared to the corresponding period of last year.

In addition to the above, certain clean heat supply projects on a build-operate-transfer basis (the “**BOT Basis**”) were under construction during the period. With reference to HK(IFRIC) Interpretation 12 *Service Concession Arrangements*, construction revenue of approximately HK\$40.1 million (six months ended 30 June 2018: approximately HK\$165.6 million) was recognised during the period with reference to the fair value of construction services delivered during the construction phase. The fair value of such services is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the inception date of the relevant service concession agreements.

In respect of the technical consultancy services, the Group successfully marketed the aforementioned qualification and experience to other industry participants. Revenue of approximately HK\$72.6 million (six months ended 30 June 2018: approximately HK\$128.5 million) was recognised during the period.

1.3 Provision of Clean Heat Supply Services

Clean heat supply represents the production of low emission heat through the utilisation of clean energies such as natural gas, electricity, geothermal energy, biomass energy, photovoltaic power, industrial excess heat energy, clean coal (ultra-low emission) energy, river water source etc., and the supply of such heat to end users. With various supportive government policies issued including the issuance of “the Notice on the Winter Clean Heat Plan (2017 to 2021) of the Northern China*” (《關於印發北方地區冬季清潔取暖規劃(2017-2021年)的通知》) jointly by ten government authorities in December 2017 and the “Notice on the Budget for Air Pollution Prevention and Control in 2019*” (《關於下達2019年度大氣污染防治資金預算的通知》) by the Ministry of Finance in June 2019, the Clean Heat Supply Business shall have a favourable business prospects.

As at 30 June 2019, through development and business acquisition, 15 projects in operation with an aggregate actual clean heat supply area of over 25 million square meters locating in Henan, Hebei, Shanxi, Shaanxi, Ningxia Hui Autonomous Region, Liaoning, Shandong and other provinces were held and/or managed by the Group. Revenue of approximately HK\$459.1 million (six months ended 30 June 2018: approximately HK\$47.8 million) arising from the provision of clean heat supply services was recognised by the Group during the period, representing an increase of more than 8 times as compared to the corresponding period of last year.

1.4 Other Clean Energy Businesses

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

1.4.1 Energy Storage Business

Energy storage is an important component and a key supporting technology for smart grid, energy systems with high proportion level of renewable energy and “internet plus” smart energy, which offers peak shaving, frequency modulation, back-up and demand-supply response support and other services for the grid operation, and is an important mean to enhance the flexibility, cost-effectiveness and safety of the traditional power system. At the same time, energy storage can significantly enhance the consumption level of renewable energy such as photovoltaic and wind power and support distributed power and micro-grid, and is a key technology to facilitate the clean energy power replacement. Also, energy storage can promote multi-energy complement and the opening and sharing, and the trading flexibility of energy production and consumption, and is a core foundation for constructing energy internet, advancing power system reform and facilitating the development of new energy business models, and there is a broad development prospect.

The Group steadily developed its energy storage business and completed the construction of certain demonstrative and operating projects with an aggregate capacity of approximately 69MWh locating in Beijing, Tibet Autonomous Region, Jiangsu Province and Shanxi Province, the PRC in 2018.

The Group paid persistent effort on energy storage technology and development, and its performance is consistently recognised by the industry. Further to the awards received in 2018 as disclosed in the Company's annual report for the year ended 31 December 2018, the Group received the below awards during the period:

| Organisers | Events | Awards |
|---|--|--|
| The committee of China International Energy Storage Conference* and China Energy Storage Web* (中國國際儲能大會組委會及中國儲能網) | China International Energy Storage Conference* (中國國際儲能大會) | 2019 China Energy Storage Industry Best Integrated Energy Service Providers Award*(2019年度中國儲能產業最佳綜合能源服務商獎) 2019 China Energy Storage Industry Best Design Institutions Award*(2019年度中國儲能產業最佳設計院獎) 2019 China Energy Storage Industry Most Influential Enterprises Award*(2019年度中國儲能產業最具影響力企業獎) |
| The committee of Energy Storage International Conference* (儲能國際峰會組委會) | 2019 Energy Storage International Conference and Expo* (儲能國際峰會暨展覽會2019) | 10 Best Energy Storage Project Operators of 2019*(2019年度中國十大儲能項目運營商) |
| International Energy Storage Alliance* and China Energy Storage Alliance* (國際儲能技術與產業聯盟及中關村儲能產業技術聯盟) | The 3rd International Energy Storage Innovation Competition* (第三屆國際儲能創新大賽) | 2019 Energy Storage Young Enterprise Award*(2019年度儲能新銳企業獎) |

2. FINANCIAL PERFORMANCE

2.1 Revenue and gross profit margin

The Group recorded revenue of approximately HK\$3,401.7 million (six months ended 30 June 2018: approximately HK\$3,897.2 million) during the period, representing a decrease of 13% as compared to the corresponding period of last year. During the period, the Group continued to focus on the development of businesses with higher gross profit ratio and stronger sustainability (such as sales of electricity and clean heat supply), improve the quality of existing projects, implement cost reduction and efficiency enhancement and reduce the proportion of its construction services business which has a lower gross profit ratio. Accordingly, (i) revenue from the sale of electricity and entrusted management services reached approximately HK\$1,723.5 million (six months ended 30 June 2018: approximately HK\$1,473.6 million) in aggregate, representing an increase of 17% as compared to the corresponding period of last year; and (ii) construction services revenue was approximately HK\$1,146.5 million (six months ended 30 June 2018: approximately HK\$2,247.3 million), representing a decrease of 49% as compared to the corresponding period of last year.

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

| | For the six months ended 30 June | | | | | |
|---|----------------------------------|--------------------|----------------|----------------|--------------------|----------------|
| | 2019 | | | 2018 | | |
| | Revenue | Gross profit ratio | Gross profit | Revenue | Gross profit ratio | Gross profit |
| | (HK\$ million) | (%) | (HK\$ million) | (HK\$ million) | (%) | (HK\$ million) |
| Sale of electricity | | | | | | |
| Photovoltaic Power Business | 1,478.2 | 68.3 | 1,010.1 | 1,276.8 | 66.3 | 846.0 |
| Wind Power Business | 111.5 | 61.6 | 68.8 | 42.7 | 66.5 | 28.4 |
| Construction services | 1,146.5 | 20.3 | 232.3 | 2,247.3 | 14.9 | 335.0 |
| Technical consultancy services | 72.6 | 84.4 | 61.3 | 128.5 | 86.7 | 111.4 |
| Entrusted operations | 133.8 | 84.0 | 112.4 | 154.1 | 87.0 | 134.1 |
| Provision of clean heat supply services | 459.1 | 30.0 | 137.7 | 47.8 | 29.5 | 14.1 |
| Total | <u>3,401.7</u> | <u>47.7</u> | <u>1,622.6</u> | <u>3,897.2</u> | <u>37.7</u> | <u>1,469.0</u> |

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

Gross profit for the sale of electricity increased from approximately HK\$874.4 million for the six months ended 30 June 2018 to approximately HK\$1,078.9 million during the period, representing 66% (six months ended 30 June 2018: 60%) to the total gross profit of the Group. The increase in contribution of sale of electricity to the Group’s total gross profit was mainly attributable to the steady expansion of the Group’s operating capacity of the photovoltaic and wind power plant projects. On the other hand, contribution of construction services to the Group’s total gross profit was 14% (six months ended 30 June 2018: 23%) during the period. As a result of the change in revenue structure, overall gross profit ratio increased from 37.7% during the six months ended 30 June 2018 to 47.7% during the period.

2.2 Other income and gains, net

The Group’s other income and gains, net achieved approximately HK\$124.7 million (six months ended 30 June 2018: approximately HK\$128.6 million) during the period, which mainly comprised (i) interest income of approximately HK\$39.6 million (six months ended 30 June 2018: approximately HK\$49.6 million); (ii) government grants of approximately HK\$72.3 million (six months ended 30 June 2018: approximately HK\$41.4 million); and (iii) gains on disposal of interests in subsidiaries of nil (six months ended 30 June 2018: approximately HK\$34.7 million).

2.3 Administrative expenses

Administrative expenses mainly consisted of staff costs and head office expenses such as due diligence, office rental and legal and professional fees. The decrease in administrative expenses to approximately HK\$254.3 million (six months ended 30 June 2018: approximately HK\$369.8 million) was mainly attributable to the Group's cost control efforts during the period. The Group's staff costs decreased by approximately HK\$69.0 million and due diligence and legal and professional fees for potential projects, new projects and existing operation decreased by approximately HK\$11.0 million. During the period, equity-settled share option expenses of approximately HK\$11.6 million (six months ended 30 June 2018: approximately HK\$11.6 million) arising from the Company's share options granted on 18 September 2017 were recognised.

2.4 Other operating expenses, net

It mainly represented loss allowances of financial assets of approximately HK\$28.9 million in aggregate during the period. Upon the adoption of HKFRS 9 on 1 January 2018, impairment analysis is performed by the Group using a simplified approach for contract assets and trade receivables, and under general approach for the remaining financial instruments. Loss allowances for (i) contract assets and trade and bills receivables of approximately HK\$26.6 million; and (ii) deposits and other receivables of approximately HK\$2.3 million, were recognised during the six months ended 30 June 2019.

2.5 Finance costs

The increase in finance costs of the Group by approximately HK\$159.8 million to approximately HK\$584.3 million (six months ended 30 June 2018: approximately HK\$424.5 million) was mainly attributable to the increase in the average balances of bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables of the Group as compared to the corresponding period of last year.

2.6 Income tax expense

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

2.7 Property, plant and equipment

Property, plant and equipment mainly represented the carrying amounts of clean energy projects held by the Group and in operation or under construction, and the increase was mainly attributable to the acquisition and development of clean energy projects and the adoption of HKFRS 16 whereby prepaid land lease payments and prepayments made for leases are reclassified under this category during the period.

2.8 Investment properties

The Group's investment properties mainly represented the fair value of an office in Hong Kong.

2.9 Prepaid land lease payments

The decrease was attributable to the adoption of HKFRS 16 as detailed in note 1.3 of the financial information.

2.10 Goodwill

It was attributable to the acquisition of subsidiaries since 2016 and the increase was mainly attributable to the acquisition of a clean energy project during the period.

2.11 Operating concessions and operating rights

Operating concessions represented the rights to operate certain photovoltaic power plant and clean heat supply projects under the BOT Basis, and operating rights represented the operating rights arising from the acquisition of clean energy businesses with reference to HKFRS 3 (Revised) *Business Combinations*. The increase in operating concessions was mainly attributable to the construction of certain clean energy projects on a BOT Basis, and the decrease in operating rights was mainly attributable to the amortisation provided for during the period.

2.12 Investments in joint ventures

It mainly represented the capital contributions made by the Group to the limited partnerships established in the PRC and joint ventures established for conducting the clean energy businesses.

2.13 Investments in associates

It represented (i) the Group's investment in Sichuan Jinyu Automobile City (Group) Co., Ltd.* (四川金宇汽車城(集團)股份有限公司, a company established in the PRC and shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ.000803)), an associate owned as to 23.82% by the Group and was principally engaged in the manufacture and sale of renewable energy and clean heat supply equipment; and (ii) the Group's investment in Beijing Enterprises City Investment Holdings Group Co., Ltd* (北控城投控股集團有限公司), an associate owned as to 15% by the Group and was principally engaged in the investment, development and operation of infrastructural and properties-related businesses in the PRC.

2.14 Other non-current assets

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

2.15 Contract assets

Contract assets as at 30 June 2019 of approximately HK\$5,159.8 million (31 December 2018: approximately HK\$4,501.7 million) represented (i) gross receivables of approximately HK\$1,931.5 million (31 December 2018: approximately HK\$2,033.8 million) mainly arising from the provision of engineering, procurement and construction services for clean energy projects; (ii) gross receivables of approximately HK\$3,260.2 million (31 December 2018: approximately HK\$2,491.8 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that will be billed and settled upon registering into the Subsidy Catalogues; and (iii) loss allowances of contract assets of approximately HK\$31.9 million (31 December 2018: approximately HK\$23.9 million). The increase in contract assets was mainly attributable to the increase in gross receivables of the central government renewable energy subsidy arising from the sale of electricity during the period.

2.16 Trade and bills receivables

Trade and bills receivables of approximately HK\$4,302.4 million (31 December 2018: approximately HK\$3,289.6 million) as at 30 June 2019 were mainly attributable to (i) gross receivables from the sale of electricity of the Photovoltaic Power Business and the Wind Power Business of approximately HK\$1,283.8 million (31 December 2018: approximately HK\$941.1 million); (ii) gross receivables from the provision of engineering, procurement and construction services for clean energy businesses of approximately HK\$2,637.5 million (31 December 2018: approximately HK\$2,087.2 million); and (iii) loss allowances of trade and bills receivables of approximately HK\$37.4 million (31 December 2018: approximately HK\$19.3 million).

As at 30 June 2019, gross trade receivables for the sale of electricity of the Photovoltaic Power Business and the Wind Power Business mainly comprised (i) receivables of approximately HK\$290.5 million (31 December 2018: approximately HK\$149.9 million) from the sale of electricity mainly to State Grid Corporation, a state-owned enterprise principally engaged in the development and operation of nationwide power network; and (ii) receivables of approximately HK\$919.1 million (31 December 2018: approximately HK\$711.8 million) in relation to the central government renewable energy subsidy for photovoltaic and wind power plant projects that have been registered into the Subsidy Catalogues.

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

The increase in prepayments, deposits and other receivables and other tax recoverables by approximately HK\$1,583.8 million in aggregate to approximately HK\$9,544.8 million (31 December 2018: approximately HK\$7,961.0 million) in aggregate (non-current portion and current portion increased by approximately HK\$199.4 million and approximately HK\$1,384.4 million in aggregate respectively) was mainly attributable to the increases in prepayments, deposits and other receivables for the acquisition and development of clean energy projects and input value-added-tax recoverables arising from the acquisition and development of photovoltaic and wind power plants.

2.18 Cash and cash equivalents

The increase in cash and cash equivalents by approximately HK\$1,514.9 million to approximately HK\$4,283.3 million (31 December 2018: approximately HK\$2,768.4 million) was mainly attributable to net effect of (i) the net increase in bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables; (ii) cash outflow on developing, acquiring and operating clean energy projects; and (iii) receipts of trade and bills receivables during the period.

2.19 Trade and bills payables

Trade and bills payables of approximately HK\$5,850.6 million (31 December 2018: approximately HK\$4,375.8 million) mainly represented trade and bills payables in relation to the provision of engineering, procurement and construction services and bills payables in relation to development of clean energy projects.

2.20 Other payables and accruals

Other payables and accruals of approximately HK\$4,802.5 million (31 December 2018: approximately HK\$5,101.1 million) decreased by approximately HK\$298.6 million, which was mainly due to the net effect of (i) settlement of construction and equipment payables to contractors and suppliers in relation to the projects held by the Group; and (ii) increase in the construction and equipment payable of projects acquired or under development by the Group during the period.

2.21 Interest-bearing bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables

Interest-bearing bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables of approximately HK\$26,159.9 million (31 December 2018: approximately HK\$22,242.5 million) in aggregate increased by approximately HK\$3,917.4 million in aggregate (non-current portion and current portion increased by approximately HK\$2,214.6 million in aggregate and approximately HK\$1,702.8 million in aggregate respectively), which was mainly attributable to the drawdown of bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables for the development of the clean energy businesses.

2.22 Capital expenditures

During the period, the Group's total capital expenditures amounted to approximately HK\$2,030.0 million (six months ended 30 June 2018: approximately HK\$3,674.2 million), comprising (i) development of photovoltaic and wind power plant projects, clean heat supply projects, and other property, plant and equipment of approximately HK\$1,590.9 million (six months ended 30 June 2018: approximately HK\$1,561.3 million) in aggregate; (ii) addition to prepaid land lease payments of nil (six months ended 30 June 2018: approximately HK\$36.3 million); (iii) acquisition of other intangible assets of approximately HK\$26.6 million (six months ended 30 June 2018: approximately HK\$5.7 million); and (iv) investments in and acquisition of equity interests in subsidiaries, joint ventures and associates of approximately HK\$412.5 million (six months ended 30 June 2018: approximately HK\$2,070.9 million).

2.23 Liquidity and financial resources

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

As at 30 June 2019, the Group's cash and cash equivalents amounted to approximately HK\$4,283.3 million (31 December 2018: approximately HK\$2,768.4 million).

Developments of the clean energy businesses require material initial capital investments and the Group funds such developments during the period mainly by (i) long-term bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables; and (ii) perpetual capital instrument as illustrated below.

(a) Long-term bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables

As at 30 June 2019, the Group's total borrowings of approximately HK\$26,159.9 million (31 December 2018: approximately HK\$22,242.5 million) comprised (i) bank and other borrowings of approximately HK\$11,558.1 million (31 December 2018: approximately HK\$7,550.2 million); and (ii) lease liabilities under finance lease arrangements/finance lease payables of approximately HK\$14,601.8 million (31 December 2018: approximately HK\$14,692.3 million). 82% (31 December 2018: 87%) of the Group's borrowings are long-term borrowings and over 99% (31 December 2018: 99%) of the Group's borrowings bear interest at floating rates.

(b) Perpetual capital instrument

On 27 November 2018, the Company issued perpetual capital instrument (the "**Perpetual Capital Instrument**") with an aggregate principal amount of RMB1,000,000,000 (equivalent to HK\$1,190,476,000) for the purposes of repaying certain of the Group's indebtedness and the Group's general working capital. It was the first corporate green panda perpetual capital instrument issued in the PRC and the first perpetual capital instrument issued by the Group. In January 2019, the Company was awarded as one of the "Outstanding Fixed Income Product Issuers" by the Shenzhen Stock Exchange. Net proceeds after deducting issue expenses amounted to RMB997,000,000 (equivalent to HK\$1,131,315,000). There is no maturity of the instrument and the payments of distribution can be deferred at the discretion of the Company subject to certain conditions. The Perpetual Capital Instrument is classified as equity instruments. No distribution was paid during the period.

As majority of the funding derives from equity funds from shareholders in prior years, long-term borrowings and the Perpetual Capital Instrument, the Group recorded net current assets position of approximately HK\$3,501.1 million (31 December 2018: approximately HK\$2,075.2 million) as at 30 June 2019.

The Group obtains certain unutilised banking facilities to enable higher flexibility and stability on capital management. As at 30 June 2019, the Group had unutilised banking facilities of approximately HK\$2,583.5 million (31 December 2018: approximately HK\$925.0 million) in aggregate with terms ranging from repayable on demand to 15 years (31 December 2018: ranging from repayable on demand to 15 years).

The Group's net gearing ratio, which was calculated by dividing net debt (defined as bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables, net of cash and cash equivalents) by the sum of net debt and total equity, was 66% (31 December 2018: 64%) as at 30 June 2019. The increase in net gearing ratio was mainly due to the net effect of (i) the increase in bank and other borrowings and lease liabilities under finance lease arrangements/finance lease payables for the purpose of funding the development of the clean energy businesses; and (ii) the profit attributable to the equity holders of the Company during the period.

2.24 Adoption of HKFRS 16

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Details of the adoption of HKFRS 16 are set out in note 1.3 of the financial information.

During the six months ended 30 June 2019, the Group, as lessee, entered into two office leases with Beijing Enterprises Water Group Limited (“**BEWG**”, the controlling shareholder of the Company) and one of the wholly-owned subsidiaries of BEWG respectively, as lessor. Details of the leases are set out in the Company's announcements dated 19 January 2019 and 26 June 2019. As, among others, the leases were entered into with a termination clause whereby the leases are cancellable either by the lessor or the lessee by giving not less than 30/90 calendar days' (as appropriate) prior notice, and the Group, at the inception dates of the leases and during the lease terms, is capable of executing the termination clause with insignificant penalty, it is considered that there are no enforceable rights and obligations beyond the non-cancellable lease terms (i.e. the prior notice period), and the Directors are of the opinion that the lease arrangements and transactions contemplated under these leases constitute short-term leases under HKFRS 16. Accordingly, the transactions constitute continuing connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

3. FUTURE OUTLOOK

We shall stay true to our mission. Facing new situations and new challenges, we shall keep a clear understanding, adhere to the bottom line, strengthen our confidence and maintain our strategic focus. The Group will uphold its core values of “being responsible, having values and being sharing”, its mission of “contributing our clean energy and building a green future” and its operating principles of “outstanding employees, lean operation, high-quality products and innovation”, and strive to improve quality and efficiency, build up cost advantages, strengthen corporate culture building, deepen risk control management and solidify the safety foundation. We will also work diligently, stay ready for action, be innovation-driven and be united to overcome challenges, so as to unswervingly facilitate the high-quality sustainable development of our clean energy businesses.

CHARGE ON THE GROUP’S ASSETS

The secured bank and other borrowings, lease liabilities under finance lease arrangements/ finance lease payables and bills payables of the Group as at 30 June 2019 are secured by:

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

Save as disclosed above, at 30 June 2019, the Group did not have any charges on the Group’s assets.

CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a(n) increase/decrease in the Group's net asset value. During the six months ended 30 June 2019, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed 2,369 employees (30 June 2018: 1,957 employees) with total staff cost of approximately HK\$183.0 million (six months ended 30 June 2018: approximately HK\$220.1 million) incurred for the six months ended 30 June 2019. The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

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

The Group had no significant investments, material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group did not have any significant events after the reporting period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Group strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Group. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders' interests. In the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2019.

MODEL CODE FOR 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 as its own code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2019.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors namely Mr. Li Fujun (the chairman of the Audit Committee), Mr. Xu Honghua and Mr. Chiu Kung Chik. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control of the Company. The interim results of the Group for the six months ended 30 June 2019 have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of the Listing Rules have been complied with, in the preparation of relevant results, and sufficient disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.bece.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

APPRECIATION

The Board would like to express its sincere thanks to our shareholders and business partners for their continuous support and our staff for their dedication and hard work throughout the reporting period.

On behalf of the Board
Beijing Enterprises Clean Energy Group Limited
Mr. Hu Xiaoyong
Chairman

Hong Kong, 27 August 2019

As at the date of this announcement, the Board comprises eight Directors, namely Mr. Hu Xiaoyong, Mr. Shi Xiaobei, Mr. Huang Weihua, Mr. Wang Ye and Mr. Wen Hui as executive Directors; and Mr. Li Fujun, Mr. Xu Honghua and Mr. Chiu Kung Chik as independent non-executive Directors.

* *for identification purpose only*