

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

(Stock Code 154)



Interim Report

2017





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors:

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

Independent non-executive directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Wong Kwok Wai, Robin

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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18 Harbour Road
Wanchai
Hong Kong

WEBSITE

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

STOCK CODE

154

SHARE REGISTRARS

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

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

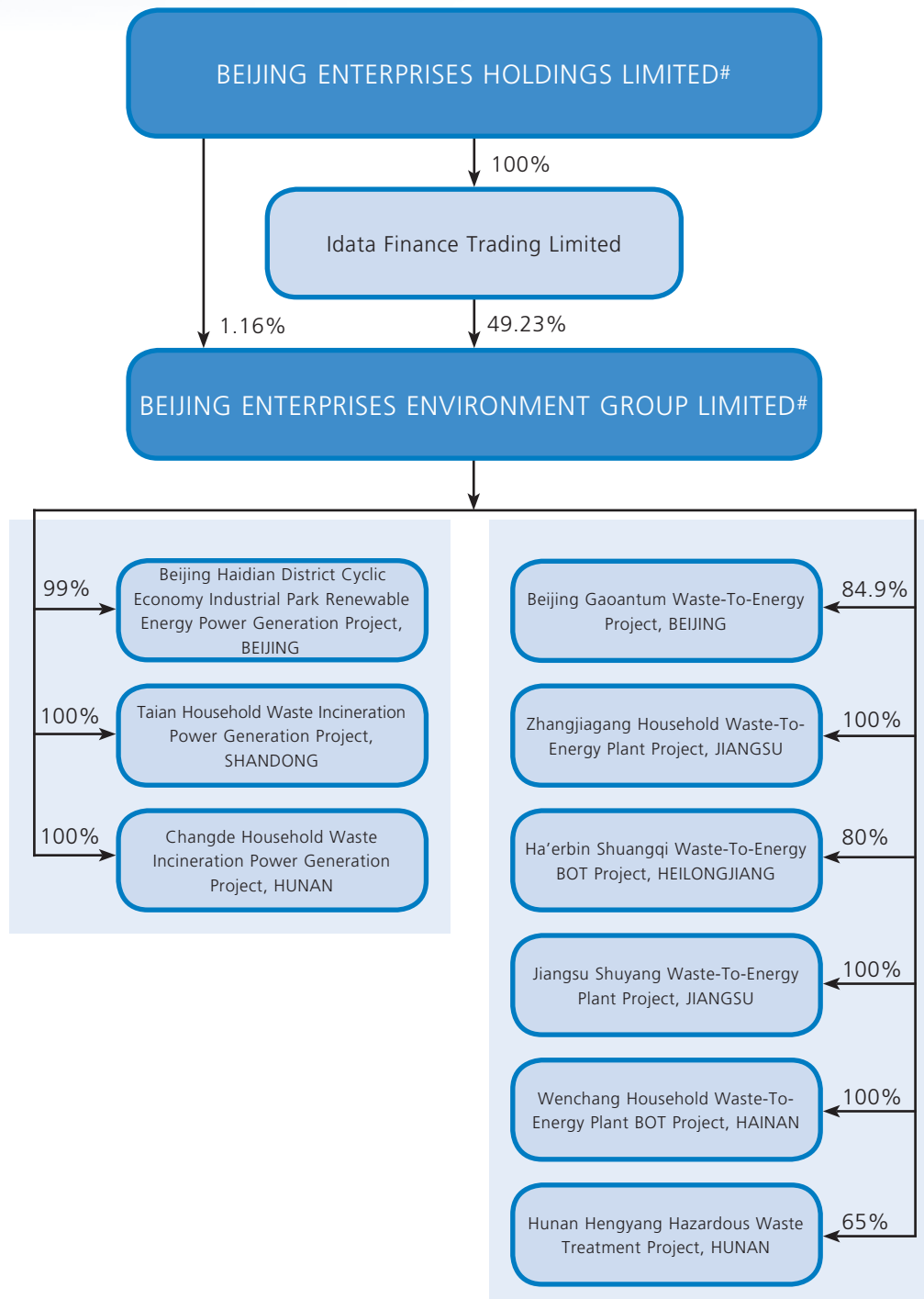
In Hong Kong:
Bank of China (Hong Kong)

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



CORPORATE STRUCTURE

31 August 2017



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



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has completed the acquisition of (1) five household waste incineration projects, namely Gaoantun Project (北京高安屯垃圾焚燒項目), Zhangjiagang Project (張家港市生活垃圾焚燒發電廠項目), Ha'erbin Project (哈爾濱雙琦垃圾焚燒發電項目), Shuyang Project (江蘇省沭陽縣垃圾焚燒發電項目) and Wenchang Project (文昌市生活垃圾焚燒發電廠項目); and (2) one hazardous and medical waste treatment project, namely Hengxing Project (湖南省衡陽危險廢物處置中心項目) in October 2016, the current waste treatment portfolio operated by the Group is as follows:

	Number of projects		Waste treatment capacity		
	For the six months ended 30 June		For the six months ended 30 June		
	2017	2016	2017	2016	
Household waste incineration:					
In operation	7	2	6,525	1,600	tonnes/day
In construction*	1	1	2,500	2,500	tonnes/day
Hazardous and medical waste treatment:					
In operation	1	–	35,000	–	tonnes/year

* excluded expansion construction in progress

Waste treatment operation

An analysis of the performance of the Group's waste treatment plants in operation is as follow:

	For the six months ended 30 June		
	2017	2016	Growth
Household waste handled (tonnes)	1,283,976	338,656	2.79 times
Hazardous and medical waste handled (tonnes)	18,771	–	
On-grid electricity (million kWh)	311.76	75.78	3.11 times
Revenue (HK\$ million)	315.80	72.43	3.36 times
EBITDA (HK\$ million)	188.58	35.99	4.24 times

Construction of waste treatment plants

The Haidian Project (北京市海澱區循環經濟產業園再生能源發電廠項目) is in its final testing and commissioning stage. Further technical improvement on the plant facilities have been carried out during the period for well preparation of the targeted commencement of its trial operation in late 2017.

With the increasing demand of local waste treatment capacities and environmental standards, the Group has commenced expansion construction programs and technical modifications for Taian Project (山東泰安生活垃圾焚燒發電項目), Changde Project (常德市生活垃圾焚燒發電項目) and Shuyang Project. Taian Project includes two production lines each equipped a grate furnace of waste treatment capacity of 600 tonnes/day, and Changde Project includes an additional production line equipped with a grate furnace of waste treatment capacity of 600 tonnes/day.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS PROSPECT

With the operations of the two high quality and representative projects in Beijing, Haidian Project and Gaoantun Project, it will enhance the Group's overall capacities and market position as the leading company in the solid waste treatment industry in Beijing and lay a firm foundation for expansion in the future.

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

FINANCIAL REVIEW

Revenue and gross profit

During the six months ended 30 June 2017, the Group recorded revenue of HK\$425.01 million, increased by 1.64 times as compared with revenue of HK\$160.92 million in corresponding period in 2016. The growth was mainly due to the acquisition of six solid waste treatment projects in October 2016. Gross profit was increased by 2.42 times from HK\$41.22 million to HK\$140.79 million. Average gross profit margin was 33.1% (2016: 25.6%).

	Revenue		Gross Profit	
	For the six months ended 30 June		For the six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million	2017 HK\$ million	2016 HK\$ million
Household waste treatment	104.65	22.12		
Hazardous and medical waste treatment	26.93	–		
Sales of electricity and steam	184.22	50.31		
	315.80	72.43	104.82	19.07
Construction and related services	109.21	88.49	35.97	22.15
	425.01	160.92	140.79	41.22

Other income and gains, net

The Group recorded other income and gains, net of HK\$34.32 million during the current period, increased by 56.6% as compared to the corresponding period in 2016 of HK\$21.91 million. The amount for the current period mainly comprised interest income of HK\$5.90 million (2016: HK\$3.92 million), value added tax refunded of HK\$24.57 million (2016: HK\$4.70 million) and foreign exchange gain of HK\$1.10 million (2016: HK\$11.48 million).

Administrative expenses

Administrative expenses for the current period increased by 38.5% from HK\$30.97 million to HK\$42.91 million as a result of business expansion.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (continued)

Finance costs

Finance costs for the current period comprised interests on bank and other borrowings of HK\$14.55 million (2016: Nil) and imputed interest on convertible bonds issued to the immediate holding company of the Company, Idata Finance Trading Limited ("Idata"), of HK\$16.36 million (2016: HK\$1.73 million).

Income tax

Income tax expense for the current period included current Mainland China income tax of HK\$20.01 million (2016: HK\$2.44 million) and deferred tax charge of HK\$3.74 million (2016: HK\$5.97 million). The effective tax rate of the Group was 23.8% (2016: 29.2%).

Profit for the period

The Group disposed of its information technology business segment (classified as a discontinued operation) in March 2016 and a profit of HK\$65.74 million was recorded during the six months ended 30 June 2016.

The Group's profit for the period from continuing operations amounted to HK\$75.97 million, increased by 2.73 times as compared with HK\$20.36 million in corresponding period in 2016. The Group's profit attributable to members of the Company from continuing operations amounted to HK\$70.68 million, increased by 2.27 times as compared with HK\$21.62 million in corresponding period in 2016.

EBITDA from continuing operations for the current period was HK\$198.19 million, increased by 3.06 times as compared with HK\$48.80 million in corresponding period in 2016.

	Profit for the period		Profit attributable to members of the Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million	2017 HK\$ million	2016 HK\$ million
Continuous operations				
Solid waste treatment segment	100.17	25.63	94.86	26.88
Corporate and others segment	(24.20)	(5.27)	(24.18)	(5.26)
	75.97	20.36	70.68	21.62
Discontinued operation				
Information technology segment	–	65.74	–	70.18
	75.97	86.10	70.68	91.80

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL POSITION

Except for the expansion programs and technical modifications on certain existing household 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 2017.

Total assets and liabilities

As at 30 June 2017, the Group had total assets and total liabilities amounted to HK\$8,833.34 million and HK\$6,302.39 million, respectively, increased by HK\$411.61 million and HK\$225.64 million, respectively, as compared to 31 December 2016.

Bank and other borrowings

Comprised bank loans of HK\$17.59 million and other loans from a fellow subsidiary, 北京控股集團財務有限公司 of HK\$785.88 million, of which HK\$101.72 million were repayable within one year. The Group's bank and other borrowings were all denominated in Renminbi and had a weighted average interest rate of approximately 4.67%.

Convertible bonds

The outstanding principal amount of non-interest-bearing convertible bonds issued to Idata amounted to HK\$2,993.30 million, of which HK\$791.00 million was due in February 2018 and HK\$2,202.30 million was due in October 2021. For accounting purpose, the convertible bonds were bifurcated into liability component of HK\$2,862.82 million and equity component of HK\$158.69 million.

Other payables and accruals

Included in other payables and accruals the amounts due to certain fellow subsidiaries of RMB1,350.00 million (equivalent to HK\$1,551.72 million). The fellow subsidiaries have undertaken not to demand repayment of the amounts due to them until such time when the Group is in a position to repay without impairing its liquidity and financial position.

Liquidity and financial resources

The Group adopts conservative treasury policies in cash management. As at 30 June 2017, the Group had cash and cash equivalents amounted to HK\$2,004.30 million (approximately 35% of which were denominated in Renminbi and 65% of which were denominated in Hong Kong dollars and United States dollars), interest-bearing bank and other borrowings amounted to HK\$803.47 million (denominated in Renminbi) and non-interest-bearing convertible bonds in principal amount of HK\$2,993.30 million (denominated in Hong Kong dollars).

As at 30 June 2017, the Group's current liabilities of HK\$3,104.43 million exceeded its current assets of HK\$2,373.52 million. Taking into account of internal resources and undertaking from certain fellow subsidiaries not to demand repayment of the amounts due by the Group to them until such time when the Group is in a position to repay without impairing its liquidity and financial position, the directors considered that the Group will be able to operate on a going concern basis.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL POSITION (continued)

Key performance indicators

	For the six months ended 30 June 2017	For the six months ended 30 June 2016	For the year ended 31 December 2016
For profit for the period/year from continuous operations:			
Gross profit margin	33.1%	25.6%	27.7%
Operating profit margin	30.7%	19.0%	25.3%
Net profit margin	17.9%	12.7%	15.0%
Return on average equity	3.2%	1.0%	2.8%
For profit for the period/year:			
Return on average equity	3.2%	4.1%	6.2%
Current ratio (times)	0.76	1.78	1.03
Debt ratio (total debt/total assets)	41.5%	19.3%	42.5%
Gearing ratio (net debt/total equity)	65.7%	N/A	69.1%

Capital expenditure and commitment

During the period under review, the Group's total capital expenditures amounted to HK\$186.62 million, of which HK\$182.41 million was spent on construction and modification of waste incineration plants and HK\$4.21 million was spent on purchase of items of plant and equipment and intangible assets. As at 30 June 2017, the Group has capital commitment for service concession arrangements amounted to HK\$375.07 million.

Charges on the Group's assets

As at 30 June 2017, save as (i) trade receivables of HK\$11.01 million arising from the provision of solid waste treatment service are pledged to secure a bank loan granted to the Group; and (ii) bank deposits of HK\$2.30 million are pledged as security deposits to the government authority to obtain the permission for the construction of solid waste treatment and power generation plant, the Group did not have any charges on the Group's assets.

Foreign exchange exposure

The Group's businesses are principally located in Mainland China and the majority of its transactions are conducted in Renminbi. As the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, any fluctuation of exchanges rates would impact the Group's net asset value. The differences arising on settlement or translation of monetary items are taken to the statement of profit or loss (recorded a gain of HK\$1.10 million for the six months ended 30 June 2017) and the gains or losses arising on retranslation of foreign operations are recognised in the exchange fluctuation reserve (recorded a gain of HK\$110.00 million for the six months ended 30 June 2017). Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

FINANCIAL POSITION *(continued)*

Contingent liabilities

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had 875 employees (31 December 2016: 867). Total staff cost for the period under review was HK\$73.02 million, increased by 1.63 times as compared with HK\$27.79 million in the corresponding period in 2016. 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.

There was no share option granted, forfeited or lapsed during the period under review. The Company has 38,520,000 share options outstanding as at 30 June 2017, which were granted on 21 June 2011 at an exercise price of HK\$1.25 per share and represented approximately 2.6% of the Company's ordinary shares in issue as at 30 June 2017.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		For the six months ended 30 June	
	Notes	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
CONTINUING OPERATIONS			
REVENUE	4	425,006	160,923
Cost of sales		(284,220)	(119,706)
Gross profit		140,786	41,217
Other income and gains, net	4	34,318	21,913
Selling and distribution expenses		(803)	(1,592)
Administrative expenses		(42,906)	(30,972)
Other operating expenses, net		(1,056)	(31)
PROFIT FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS	5	130,339	30,535
Finance costs	6	(30,909)	(1,734)
Share of profit/(loss) of a joint venture		290	(35)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		99,720	28,766
Income tax	7	(23,748)	(8,408)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		75,972	20,358
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	8(a)	–	65,740
PROFIT FOR THE PERIOD		75,972	86,098
ATTRIBUTABLE TO:			
Members of the Company			
Continuing operations		70,680	21,617
Discontinued operation		–	70,179
Non-controlling interests		70,680	91,796
		5,292	(5,698)
		75,972	86,098
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY	10		
– Basic (HK cents)			
For profit for the period		4.71	6.12
For profit for the period from continuing operations		4.71	1.44
– Diluted (HK cents)			
For profit for the period		2.10	4.24
For profit for the period from continuing operations		2.10	1.06

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	75,972	86,098
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
– Translation of foreign operations	110,001	(62,104)
– Release upon disposal of subsidiaries during the period	–	(37,289)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	110,001	(99,393)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	185,973	(13,295)
ATTRIBUTABLE TO:		
Members of the Company	173,802	(6,669)
Non-controlling interests	12,171	(6,626)
	185,973	(13,295)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		837,172	743,847
Investment properties		89,060	86,091
Prepaid land lease payments		50,047	48,945
Goodwill		1,122,551	1,122,551
Operating concessions		2,127,695	2,009,485
Other intangible assets		129,670	128,026
Investment in a joint venture		6,185	5,895
Receivables under service concession arrangements	11	2,059,572	1,989,998
Prepayments, deposits and other receivables	13	12,853	21,608
Deferred tax assets		25,021	24,937
Total non-current assets		6,459,826	6,181,383
Current assets:			
Prepaid land lease payments		1,173	1,134
Inventories		20,027	18,184
Amounts due from contract customers		10,127	–
Receivables under service concession arrangements	11	48,025	46,801
Trade and bills receivables	12	184,875	152,383
Prepayments, deposits and other receivables	13	102,691	52,830
Pledged deposits		2,299	8,704
Cash and cash equivalents		2,004,299	1,960,314
Total current assets		2,373,516	2,240,350
TOTAL ASSETS		8,833,342	8,421,733

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2017

	Notes	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to members of the Company			
Share capital	14	2,227,564	2,227,564
Equity component of convertible bonds	15	158,687	158,687
Other reserves		(75,366)	(249,168)
		2,310,885	2,137,083
Non-controlling interests		220,069	207,898
TOTAL EQUITY		2,530,954	2,344,981
Non-current liabilities:			
Bank and other borrowings	16	701,747	661,689
Convertible bonds	15	2,074,178	2,846,457
Provision for major overhauls		4,012	3,878
Deferred income		168,956	160,115
Deferred tax liabilities		249,066	237,853
Total non-current liabilities		3,197,959	3,909,992
Current liabilities:			
Trade payables	17	342,670	292,583
Other payables and accruals	18	1,840,614	1,767,108
Bank and other borrowings	16	101,724	73,555
Convertible bonds	15	788,637	–
Tax payables		30,784	33,514
Total current liabilities		3,104,429	2,166,760
TOTAL LIABILITIES		6,302,388	6,076,752
TOTAL EQUITY AND LIABILITIES		8,833,342	8,421,733



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

Attributable to members of the Company

	Share capital (Unaudited) HK\$'000	Equity component of convertible bonds (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2017	2,227,564	158,687	21,201*	12,180*	(217,503)*	5,144*	(70,190)*	2,137,083	207,898	2,344,981
Profit for the period	-	-	-	-	-	-	70,680	70,680	5,292	75,972
Other comprehensive income for the period:										
Exchange fluctuation reserve:										
Translation of foreign operations	-	-	-	-	103,122	-	-	103,122	6,879	110,001
Total comprehensive income for the period	-	-	-	-	103,122	-	70,680	173,802	12,171	185,973
Transfer to PRC reserve funds	-	-	-	-	-	3,509	(3,509)	-	-	-
At 30 June 2017	2,227,564	158,687	21,201*	12,180*	(114,381)*	8,653*	(3,019)*	2,310,885	220,069	2,530,954
At 1 January 2016	2,225,723	11,658	21,792	121	10,121	39,752	(234,899)	2,074,268	24,657	2,098,925
Profit/(loss) for the period	-	-	-	-	-	-	91,796	91,796	(5,698)	86,098
Other comprehensive loss for the period:										
Exchange fluctuation reserve:										
Translation of foreign operations	-	-	-	-	(61,176)	-	-	(61,176)	(928)	(62,104)
Release upon disposal of subsidiaries	-	-	-	-	(37,289)	-	-	(37,289)	-	(37,289)
Total comprehensive income/(loss) for the period	-	-	-	-	(98,465)	-	91,796	(6,669)	(6,626)	(13,295)
Issue of shares upon exercise of share options	1,841	-	(591)	-	-	-	-	1,250	-	1,250
Deemed contribution from the immediate holding company	-	-	-	12,059	-	-	-	12,059	-	12,059
Capital contribution from a non-controlling interest	-	-	-	-	-	-	-	-	4,651	4,651
Disposal of subsidiaries	-	-	-	-	-	(34,807)	34,807	-	(18,571)	(18,571)
At 30 June 2016	2,227,564	11,658	21,201	12,180	(88,344)	4,945	(108,296)	2,080,908	4,111	2,085,019

* These reserve accounts comprise the consolidated negative other reserves of HK\$75,366,000 (31 December 2016: negative other reserves of HK\$249,168,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from/(used in) operations	170,198	(52,924)
Mainland China income tax paid	(23,121)	(427)
Net cash flows from/(used in) operating activities	147,077	(53,351)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(77,119)	(43,748)
Additions of operating concessions	(103,881)	(4,632)
Disposal of subsidiaries	–	17,831
Decrease/(increase) in time deposits with maturity of more than three months when acquired	41,838	(10,335)
Decrease/(increase) in pledged deposits	6,405	(11,922)
Interest received	5,903	3,923
Other cash flows used in investing activities, net	(277)	(201)
Net cash flows used in investing activities	(127,131)	(49,084)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares upon exercise of share options	–	1,250
Capital contribution by a non-controlling interest	–	4,651
Repayment of bank loans	(3,068)	–
New other loans	56,818	–
Repayment of other loans	(11,364)	–
Interest paid	(18,400)	–
Net cash flows from financing activities	23,986	5,901
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	1,852,432	1,944,424
Effect of foreign exchange rate changes, net	38,171	(35,025)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,934,535	1,812,865
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits		
Placed in banks	827,668	613,609
Placed in a financial institution	114,748	54
Time deposits	1,064,182	1,317,923
Less: Pledged deposits	(2,299)	–
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	2,004,299	1,931,586
Less: Time deposits with maturity of more than three months when acquired	(69,764)	(118,721)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	1,934,535	1,812,865

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. CORPORATE INFORMATION

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

During the six months ended 30 June 2017, the Company and its subsidiaries (collectively referred to as the “Group”) were principally involved in the solid waste treatment business which comprises the construction and operation of waste incineration plants, waste treatment and the sales of electricity and steam generated from waste incineration. The Group has disposed of its information technology (“IT”) business during the prior year and the IT business was classified as a discontinued operation.

At 30 June 2017, the immediate holding company of the Company is Idata Finance Trading Limited (“Idata”), a limited liability company incorporated in the British Virgin Islands. Idata is a wholly-owned subsidiary of Beijing Enterprises Holdings Limited (“BEHL”) whose shares are listed on the Main Board of the Stock Exchange. In the opinion of the directors, the ultimate holding company of the Company is 北京控股集團有限公司 (“BEGCL”), which is a state-owned enterprise established in the People’s Republic of China (the “PRC”) and is wholly owned by The State-owned Assets Supervision and Administration Commission of The People’s Government of Beijing Municipality (the “Beijing SASAC”).

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to The Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and basis of preparation used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the Group’s annual consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the HKICPA, accounting policies generally accepted in Hong Kong and the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2.2 below.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

2.1 BASIS OF PREPARATION (continued)

In preparing the consolidated financial statements, the directors have given careful consideration to the future liquidity of the Group in light of the fact that as at 30 June 2017 its current liabilities exceeded its current assets. Taking into account of internal resources and undertaking from certain fellow subsidiaries not to demand repayment of the amounts due by the Group to them until such time when the Group is in a position to repay without impairing its liquidity and financial position, the directors considered that the Group will be able to operate on a going concern basis. Accordingly, the interim condensed consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the year ended 31 December 2016 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2016 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 auditors have reported on the financial statements for the year ended 31 December 2016. The auditors' report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's interim condensed consolidated financial statements:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs has had no significant financial effect on the interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in the interim condensed consolidated financial statements.

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



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

3. OPERATING SEGMENT INFORMATION

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

- (a) the solid waste treatment segment comprises the construction and operation of waste incineration plants, waste treatment and the sales of electricity and steam generated from waste incineration.
- (b) the corporate and others segment comprises property investment and corporate income and expense items.
- (c) the IT segment comprises the sale of IT related products, the provision of system integration and maintenance services and software development (disposed of during the prior years and classified as a discontinued operation, note 8).

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

3. OPERATING SEGMENT INFORMATION (continued)

The following tables present revenue and profit/(loss) information regarding the Group's operating segments for the six months ended 30 June 2017 and 2016.

	Continuing operations			Discontinued operation	
	Solid waste treatment (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	IT (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2017					
Segment revenue	425,006	-	425,006	-	425,006
Cost of sales	(284,220)	-	(284,220)	-	(284,220)
Gross profit	140,786	-	140,786	-	140,786
Profit/(loss) from operating activities	135,237	(4,898)	130,339	-	130,339
Finance costs	(14,551)	(16,358)	(30,909)	-	(30,909)
Share of profit of a joint venture	290	-	290	-	290
Profit/(Loss) before tax	120,976	(21,256)	99,720	-	99,720
Income tax	(20,801)	(2,947)	(23,748)	-	(23,748)
Profit/(loss) for the period	100,175	(24,203)	75,972	-	75,972
Segment profit/(loss) attributable to members of the Company	94,862	(24,182)	70,680	-	70,680
For the six months ended 30 June 2016					
Segment revenue	160,923	-	160,923	14,747	175,670
Cost of sales	(119,706)	-	(119,706)	(16,560)	(136,266)
Gross profit/(loss)	41,217	-	41,217	(1,813)	39,404
Profit/(loss) from operating activities	34,921	(4,386)	30,535	(13,999)	16,536
Gain on disposal of a subsidiary	-	-	-	80,970	80,970
Finance costs	-	(1,734)	(1,734)	(27)	(1,761)
Share of losses of joint ventures	(35)	-	(35)	(1,204)	(1,239)
Profit/(loss) before tax	34,886	(6,120)	28,766	65,740	94,506
Income tax	(9,261)	853	(8,408)	-	(8,408)
Profit/(loss) for the period	25,625	(5,267)	20,358	65,740	86,098
Segment profit/(loss) attributable to members of the Company	26,877	(5,260)	21,617	70,179	91,796

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

3. OPERATING SEGMENT INFORMATION (continued)

An analysis of the Group's assets and liabilities by operating segment is as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Total assets		
Continuing operations:		
Solid waste treatment	7,640,001	7,219,078
Corporate and others	1,193,341	1,202,655
	8,833,342	8,421,733
Total liabilities		
Continuing operations:		
Solid waste treatment	3,409,823	3,187,489
Corporate and others	2,892,565	2,889,263
	6,302,388	6,076,752

During the six months ended 30 June 2017, the Group acquired property, plant and equipment from continuing operations with a total cost of HK\$77,119,000 (six months ended 30 June 2016: HK\$45,787,000).

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

3. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

During the six months ended 30 June 2017, the Group had transactions with three external customers (six months ended 30 June 2016: three) from each of which the revenue derived accounted for over 10% of the Group's total revenue from continuing operations. The revenue from continuing operations generated from sales to each of these customers is set out below:

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Customer A	62,879 [#]	88,492 [#]
Customer B	57,338	–
Customer C	46,325 [#]	–
Customer D	N/A	28,016
Customer E	N/A	21,849

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

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



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

4. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue		
Household waste treatment*	104,654	22,118
Hazardous and medical waste treatment	26,929	–
Sale of electricity	184,097	49,438
Sale of steam	122	875
Construction and related services*	109,204	88,492
	425,006	160,923
Other income		
Interest income	5,903	3,923
Value added tax refund	24,567	4,699
Government grant#	522	–
Rental income	1,452	1,507
Others	771	304
	33,215	10,433
Gains, net		
Foreign exchange differences, net	1,103	11,480
Other income and gains, net	34,318	21,913

* Imputed interest income under service concession arrangements during the period amounting to HK\$49,941,000 (six months ended 30 June 2016: HK\$14,269,000) were included in the revenue derived from household waste treatment services and construction and related services.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

5. PROFIT FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS

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

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Depreciation	20,577	7,370
Amortisation of prepaid land lease payments*	580	271
Amortisation of operating concessions*	43,029	8,781
Amortisation of other intangible assets*	3,370	1,875

* The amortisation of prepaid land lease payments, operating concession and other intangible assets (excluding computer software) are included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss.

6. FINANCE COSTS

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

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on bank and other borrowings	18,400	–
Imputed interest on convertible bonds (note 15)	16,358	1,734
Total finance costs	34,758	1,734
Less: Interest included in construction in progress	(3,849)	–
	30,909	1,734



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current – Mainland China	20,011	2,440
Deferred	3,737	5,968
Total tax expense	23,748	8,408

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

8. DISCONTINUED OPERATION

The Group has completed the disposal of its IT business during the six months ended 30 June 2016 and the IT business was classified as a discontinued operation for the six months ended 30 June 2016.

- (a) The results of a discontinued operation dealt with in the interim condensed consolidated financial statements for the six months ended 30 June 2016 are summarised as follows:

	For the six months ended 30 June 2016 (Unaudited) HK\$'000
Revenue	14,747
Other income and gains, net	225
Gain on disposal of subsidiaries (note (b))	80,970
Cost of sales and operating expenses	(28,998)
	66,944
Share of loss of a joint venture	(1,204)
	65,740
Profit before tax and profit for the period from a discontinued operation	65,740
Attributable to:	
Members of the Company	70,179
Non-controlling interests	(4,439)
	65,740

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

8. DISCONTINUED OPERATION (continued)

(b) An analysis of gain on disposal of subsidiaries is as follows:

	For the six months ended 30 June 2016 (Unaudited) HK\$'000
Net assets disposed of:	
Property and equipment	5,503
Other intangible assets	980
Investment in a joint venture	11,227
Investments in associates	2,887
Inventories	7,633
Amounts due from contract customers	833
Trade receivables	76,616
Prepayments, deposits and other receivables	69,793
Pledged deposits	12,134
Cash and cash equivalents	107,412
Trade and bills payables	(71,577)
Amounts due to contract customers	(319)
Interest-bearing bank borrowings	(6,024)
Other payables and accruals	(116,965)
Non-controlling interests	(18,571)
	<hr/> 81,562
Exchange fluctuation reserve realised	(37,289)
Transaction costs	757
Gain on disposal of subsidiaries, included in a discontinued operation (note (a))	<hr/> 80,970
	<hr/> <hr/> 126,000

(c) An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	For the six months ended 30 June 2016 (Unaudited) HK\$'000
Cash consideration	126,000
Cash and cash equivalents disposed of	(107,412)
Transaction costs paid	(757)
	<hr/> 17,831
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<hr/> <hr/> 17,831

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY

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

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

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

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
For profit for the period:		
Profit for the period attributable to members of the Company, used in the basic earnings per share calculations	70,680	91,796
Interest on convertible bonds	16,358	1,734
Profit for the period attributable to members of the Company, used in the diluted earnings per share calculations	87,038	93,530
For profit for the period from continuing operations:		
Profit for the period from continuing operations attributable to members of the Company, used in the basic earnings per share calculations	70,680	21,617
Interest on convertible bonds	16,358	1,734
Profit for the period from continuing operations attributable to members of the Company, used in the diluted earnings per share calculations	87,038	23,351

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

10. EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY (continued)

	For the six months ended 30 June	
	2017 (Unaudited)	2016 (Unaudited)
Number of ordinary shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculations	1,500,360,150	1,500,321,688
Effect of dilution – weighted average number of ordinary shares		
Share options	4,579,944	8,175,884
Convertible bonds	2,648,938,053	700,000,000
Weighted average number of ordinary shares, used in the diluted earnings per share calculations	4,153,878,147	2,208,497,572

11. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Unbilled:		
Current portion	48,025	46,801
Non-current portion	2,059,572	1,989,998
	2,107,597	2,036,799

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



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

12. TRADE AND BILLS RECEIVABLES

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

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within 3 months	139,096	120,564
4 to 6 months	34,683	14,548
7 to 12 months	711	10,236
1 to 2 years	9,936	2,515
2 to 3 years	326	2,543
Over 3 years	123	1,977
	184,875	152,383

As at 30 June 2017, the trade receivables of HK\$11,013,000 (31 December 2016: HK\$7,857,000) arising from the provision of solid waste treatment service are pledged to secure a bank loan granted to the Group (note 16(b)).

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Prepayments	63,613	29,655
Deposits and other receivables	55,844	47,559
Due from fellow subsidiaries	45	1,050
Due from a non-controlling equity holder	1,836	1,775
	121,338	80,039
Impairment	(5,794)	(5,601)
	115,544	74,438
Portion classified as current assets	(102,691)	(52,830)
	12,853	21,608

The balances with fellow subsidiaries and a non-controlling equity holder are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

14. SHARE CAPITAL

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Issued and fully paid: 1,500,360,150 (31 December 2016: 1,500,360,150) ordinary shares	2,227,564	2,227,564

15. CONVERTIBLE BONDS

A summary of the movements in the principal amount, equity and liability components of the Company's convertible bonds during the six months ended 30 June 2017 is as follows:

	Current portion (Unaudited) HK\$'000 (note (a))	Non-current portion (Unaudited) HK\$'000 (note (b))	Total (Unaudited) HK\$'000
Principal amount outstanding:			
At 31 January 2017 and 30 June 2017	791,000	2,202,300	2,993,300
Equity component:			
At 31 January 2017 and 30 June 2017	11,658	147,029	158,687
Liability component:			
At 1 January 2017	786,886	2,059,571	2,846,457
Imputed interest expenses (note 7)	1,751	14,607	16,358
At 30 June 2017	788,637	2,074,178	2,862,815

Notes:

- (a) These convertible bonds (current portion) were issued on 24 April 2014 and 29 December 2014 pursuant to the subscription agreement dated 15 September 2011 (as amended by the supplemental agreements in relation thereto) entered into between the Company, Idata as subscriber, and BEHL as guarantor. These convertible bonds have an initial conversion price of HK\$1.13 per ordinary share of the Company, bear no interest and will mature on 28 February 2018.
- (b) These convertible bonds (non-current portion) were issued on 31 October 2016 pursuant to the sale and purchase agreement dated 31 March 2016 entered into between the Company and BEHL relating to the acquisition of equity interest in certain solid waste treatment projects. These convertible bonds have an initial conversion price of HK\$1.13 per ordinary share of the Company, bear no interest and will mature on 31 October 2021.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

16. BANK AND OTHER BORROWINGS

	Notes	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Bank Loans:			
Secured	(b)	5,747	5,556
Unsecured	(c)	11,839	14,444
		17,586	20,000
Other loans from fellow subsidiaries, unsecured	(d)	785,885	715,244
		803,471	735,244
Portion classified as current liabilities		(101,724)	(73,555)
		701,747	661,689
Non-current portion			

Notes:

- (a) The Group's bank and other borrowings were all denominated in RMB.
- (b) The Group's secured bank loan bore an interest at a fixed rate of five years or above lending rate from the People's Bank of China at the time when the loan was drawn and was secured by pledge over (i) the Group's trade receivables arising from provision of solid waste treatment service with an aggregate net carrying amount of HK\$11,013,000 (31 December 2016: HK\$7,857,000) (note 12); and (ii) the Group's bank balance of HK\$2,376,000 as at 31 December 2016.
- (c) The Group's unsecured bank loans bore an interest at a floating rate of five years or above lending rate from the People's Bank of China plus margin and are guaranteed by a fellow subsidiary of the Company.
- (d) The Group's other loans from fellow subsidiaries of the Company bore interest at floating rates of 94% to 97% of one to five years or above lending rates from the People's Bank of China.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

17. TRADE PAYABLES

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

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Billed:		
Less than 3 months	88,639	25,111
4 to 6 months	1,402	3,127
7 to 12 months	6,889	679
Over 1 year	11,085	20,193
Unbilled	108,015	49,110
	234,655	243,473
	342,670	292,583

Included in the trade payables of the Group as at 30 June 2017 is an amount of HK\$69,095,000 (31 December 2016: HK\$80,331,000) due to a non-controlling equity holder. The balance arising from the transactions carried out in the ordinary course of business of the Group, and is unsecured, interest-free and repayable on credit term similar to those offered by the major suppliers to the Group.

18. OTHER PAYABLES AND ACCRUALS

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Receipts in advance	37,951	6,984
Other payables	66,528	44,634
Accruals	10,607	32,885
Due to fellow subsidiaries	1,725,527	1,682,605
	1,840,613	1,767,108

The balances with fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment, and certain fellow subsidiaries have undertaken not to demand repayment of the amounts due to them of RMB1,350,000,000 (equivalent to HK\$1,551,724,000) until such time when the Group is in a position to repay without impairing its liquidity and financial position.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

19. CONTINGENT LIABILITIES

The final acceptance of the construction of certain waste incineration plants of the Group have not been obtained from the relevant government authorities and the Group is still in the process of applying for certain permits in relation to its operation. According to the relevant PRC Law, the Group may be liable to administrative sanctions to be charged by the relevant government authorities due to the above matters. Nevertheless, as advised by the legal adviser of the Group, it is not likely for the Group to be liable to the administrative sanctions.

Save as disclosed above, at 30 June 2017, the Group did not have any significant contingent liabilities.

20. CAPITAL COMMITMENTS

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Contracted, but not provided for:		
Service concession arrangements on a BOO basis	221,292	199,684
Service concession arrangements on a BOT basis	153,783	20,556
	375,075	220,240

21. RELATED PARTY DISCLOSURES

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

Name of related party	Nature of transactions	Notes	For the six months ended 30 June	
			2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
With fellow subsidiaries:				
北京北控宏創科技有限公司	Rental income [#]	(i)	1,452	1,507
北京控股集團財務有限公司	Interest income [#]	(ii)	375	-
	Interest expense	(iii)	17,885	-
With a joint venture:				
Beijing Enterprises SITA Environmental Services Company Limited	Consultancy service fee	(iv)	3,828	3,981
With a non-controlling equity holder:				
北京教育網絡和信息中心	Service income	(v)	-	1,140

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

21. RELATED PARTY DISCLOSURES (continued)

(a) (continued)

Notes:

- (i) The rental income received from 北京北控宏創科技有限公司 in respect of Block 5, Beikong Hong Chuang Technology Park, Beijing was mutually agreed between the parties under the property escrow agreement dated 31 August 2015 and was determined with reference to the prevailing market rent generally applicable to similar properties in the market. Further details of the transaction are set out in the Company's announcement dated 1 September 2015.
 - (ii) The interest received from 北京控股集團財務有限公司 ("BG Finance", an authorised financial institution under China Banking Regulatory Commission) was mutually agreed between the parties under the deposit services master agreement dated 29 June 2015 (the "Deposit Agreement"), 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 29 June 2015 to 31 December 2017. The deposit rate will not be lower than (i) the minimum interest rate prescribed by the People's Bank of China; (ii) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group; and (iii) the interest rates offered by BG Finance to other members of BEGCL for the same type of deposits at the same period; and the cumulative daily outstanding deposit balance in Hong Kong dollars equivalent placed by the Group with BG Finance (including any interest accrued thereon) during the term of the agreement will not exceed HK\$159,000,000. The deposits placed by the group with BG Finance as at the end of the reporting period amounted to HK\$114,748,000 (31 December 2016: HK\$152,909,000). Further details of the Deposit Agreement are set out in the announcement of the Company dated 29 June 2015.
 - (iii) The interest expenses were paid for loans obtained from BG Finance and the interest rates were mutually agreed with BG Finance which will not be higher than the interest rates prescribed by the People's Bank of China at the same period.
 - (iv) The consultancy service fee paid to Beijing Enterprises SITA Environmental Services Company Limited was based on terms and conditions mutually agreed between the parties.
 - (v) The service income received from 北京教育網絡和信息中心 was based on terms and conditions mutually agreed between the parties.
- (b) Outstanding balances with related parties
- (i) Details of the Group's balances with fellow subsidiaries and non-controlling equity holders included in prepayments, deposits and other receivables, trade payables and other payables and accruals are disclosed in notes 13, 17 and 18 to the interim condensed consolidated financial statements, respectively.
 - (ii) Details of the Group's borrowings from and cash deposits placed in fellow subsidiaries as at the end of the reporting period are disclosed in notes 16(d) and 21(a)(ii) to the interim condensed consolidated financial statements, respectively.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

21. RELATED PARTY DISCLOSURES (continued)

- (c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short term employee benefits	5,471	4,288
Post-employment benefits	587	343
Total compensation paid to key management personnel	6,058	4,631

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

The Company is a state-owned enterprise of the PRC government and is subject to the control of the Beijing SASAC and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "Other SOEs"). During the period, the Group has transactions with the Other SOEs including, but not limited to, the sale of electricity, provision of waste treatment and construction services, bank deposits and utilities consumptions. The directors 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 are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

22. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 30 June 2017 amounted to HK\$730,913,000 (31 December 2016: net current assets of HK\$73,590,000) and HK\$5,728,913,000 (31 December 2016: HK\$6,254,973,000), respectively.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 31 August 2017.

DISCLOSEABLE INFORMATION

DIRECTORS

The directors of the Company during the six months ended 30 June 2017 and up to the date of this report were:

Executive directors:

Mr. E Meng (*Chairman*)

Mr. Ke Jian (*Vice Chairman and Chief Executive Officer*)

Ms. Sha Ning (*Vice President*)

Ms. Qin Xuemin (*Vice President*)

Mr. Ng Kong Fat, Brian

Independent non-executive directors:

Dr. Jin Lizuo

Dr. Huan Guocang

Dr. Wang Jianping

Prof. Nie Yongfeng

Mr. Cheung Ming

CHANGES IN DIRECTORS' INFORMATION

Since the issue date of the Company's 2016 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 2017, no director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the transactions with BEGCL and its subsidiaries, further details of which are set out in note 21 to the interim condensed consolidated financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transaction, arrangement or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the six months ended 30 June 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2017 and up to the date of this report, the following directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:

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



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:

- clear geographical delineation among solid waste treatment projects;
- no competition in relation to the supply of solid waste and sale of electricity;
- independent management team; and
- 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, BEHL.

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

At 30 June 2017, 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. E Meng	601,000	–	601,000	0.04
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755 [#]	10,392,755	0.69
	2,201,000	8,792,755	10,993,755	0.73

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

DISCLOSEABLE INFORMATION (CONTINUED)

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

Long positions in share options of the Company:

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

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

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

Save as disclosed above, as at 30 June 2017, 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.

SHARE OPTION SCHEME

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

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

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

DISCLOSEABLE INFORMATION (CONTINUED)

SHARE OPTION SCHEME (continued)

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

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

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

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

No share options were granted, exercised, lapsed or cancelled under the Scheme during the six months ended 30 June 2017. As at 30 June 2017 and the date of this interim report, there were total 38,520,000 share options outstanding under the Scheme, representing approximately 2.6% of the ordinary shares of the Company in issue.

Name or category of participant	Number of share options
Executive directors:	
Mr. E Meng	6,770,000
Mr. Ng Kong Fat, Brian	5,500,000
Independent non-executive directors:	
Dr. Jin Lizuo	670,000
Dr. Huan Guocang	670,000
Dr. Wang Jianping	670,000
Other non-director participants:	
In aggregate	24,240,000
	38,520,000

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

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 38,520,000 additional ordinary shares of the Company and additional share capital of HK\$69,351,000.

DISCLOSEABLE INFORMATION (CONTINUED)

SHARE OPTION SCHEME (continued)

Save as disclosed above, at no time during the six months ended 30 June 2017 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CONTRACT OF SIGNIFICANCE

Save as the transactions with BEGCL and its subsidiaries, further details of which are set out in note 21 to the interim condensed consolidated financial statements, no contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the six months ended 30 June 2017.

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

At 30 June 2017, 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)	–	755,435,000	756,120,000	50.40
BEGCL	(b)	–	755,435,000	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.

DISCLOSEABLE INFORMATION *(CONTINUED)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Save as disclosed above, as at 30 June 2017, 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.

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 2017.

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 2017.

- (1) Under Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation of a majority of directors entitled to present. However, the Company considers it is more efficient to hold board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the directors.
- (2) Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for non-executive directors to voice their views by individual communication with the chairman of the board.
- (3) Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, all existing non-executive directors of the Company are not appointed for a specific term but subject to retirement by rotation at the annual general meeting in accordance with the Company's articles of association.
- (4) Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, the independent non-executive directors of the Company were unable to attend the 2017 annual general meeting of the Company due to other business engagements.
- (5) Under Code Provision C.2.5, the issuer should have an internal audit function. During the year under review, the Company did not have an internal audit department. However, the Company considers the Group's existing risk management and internal control mechanisms are effective and a formalised internal audit function will be set up in the near future in order to cope with the business expansion.
- (6) Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration and nomination committees to attend. However, the chairman of the board and the chairmen of the board committees were unable to attend the 2017 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 2017.



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 2017.

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 2017, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

