



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

(Stock Code 154)



Interim Report 2020

CONTENTS

CORPORATE INFORMATION	2
CORPORATE STRUCTURE	3
MANAGEMENT DISCUSSION AND ANALYSIS	4
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	12
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	13
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	14
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	16
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	17
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	19
DISCLOSEABLE INFORMATION	39
CORPORATE GOVERNANCE	43

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors:

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

Ms. Sha Ning (*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*)

Dr. Huan Guocang

Dr. Wang Jianping

Mr. Ke Jian

NOMINATION COMMITTEE

Mr. Ke Jian (*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

66th Floor, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

WEBSITE

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

STOCK CODE

154

SHARE REGISTRARS

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

In Hong Kong:

Bank of China (Hong Kong)

In Mainland China:

Agricultural Bank of China

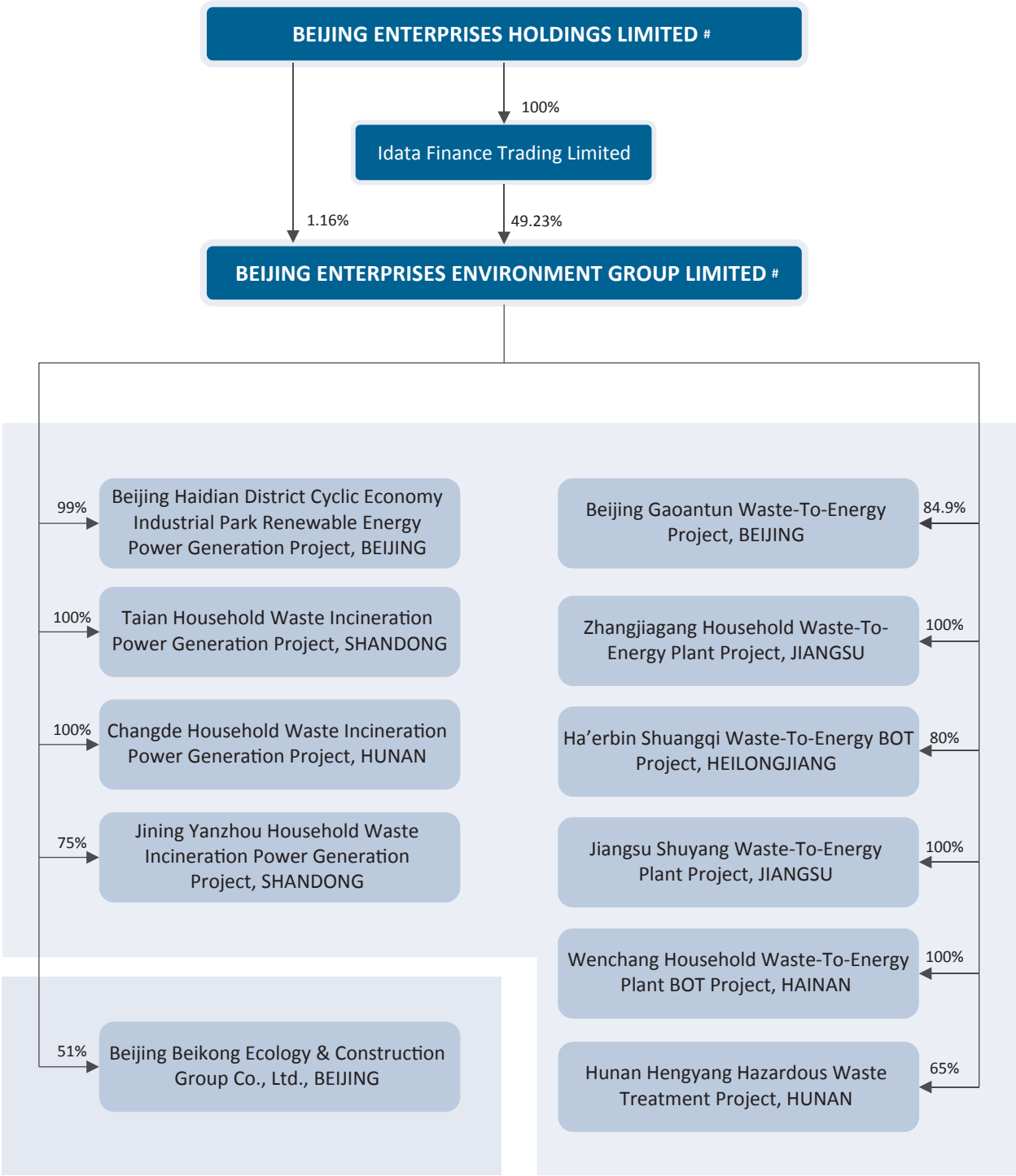
Bank of Beijing

China Construction Bank

Huaxia Bank

CORPORATE STRUCTURE

31 August 2020



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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in the environmental protection business with solid waste treatment as its core business. Currently, the Group is operating nine solid waste treatment projects in China, including eight household waste incineration power generation projects with total waste treatment capacity of 10,225 tonnes/day and one hazardous and medical waste treatment project with waste treatment capacity of 35,000 tonnes/year.

Project Name	Region	Business Model	Waste treatment capacity
Household waste incineration power generation projects:			
Haidian Project (北京市海澱區循環經濟產業園再生能源發電廠項目)	Beijing	BOT	2,100 tonnes/day
Gaoantun Project (北京高安屯垃圾焚燒項目)	Beijing	BOT	1,600 tonnes/day
Ha'erbin Project (哈爾濱雙琦垃圾焚燒發電項目)	Heilongjiang	BOT	1,600 tonnes/day
Changde Project (常德市生活垃圾焚燒發電項目)	Hunan	BOT	1,400 tonnes/day
Taian Project (泰安生活垃圾焚燒發電項目)	Shandong	BOO	1,200 tonnes/day
Shuyang Project (江蘇省沭陽縣垃圾焚燒發電項目)	Jiangsu	BOT	1,200 tonnes/day
Zhangjiagang Project (張家港市生活垃圾焚燒發電廠項目)	Jiangsu	BOO	900 tonnes/day
Wenchang Project (文昌市生活垃圾焚燒發電廠項目)	Hainan	BOT	225 tonnes/day
Hazardous and medical waste treatment project:			
Hengxing Project (湖南省衡陽危險廢物處置中心項目)	Hunan	BOT	35,000 tonnes/year

During the period under business review, the Group's operating results declined due to the COVID-19 epidemic and the implementation of garbage classification. During the period, total household waste treatment volume of the Group was 1,534,800 tonnes, decreased by 14.6% as compared with 1,797,900 tonnes in the corresponding period of last year. Other waste treatment volume included medical and hazardous waste of 4,900 tonnes, food waste of 37,500 tonnes, sludge of 63,000 tonnes and leachate of 112,700 tonnes. Total electricity generating volume was 577.24 million kWh, decreased by 4.0% as compared with 601.27 million kWh in the corresponding period of last year. The on-grid electricity volume was 462.62 million kWh, decreased by 4.9% as compared with 486.38 million kWh in the corresponding period of last year. Steam supply was 16,300 tonnes.

The Group established a joint venture in January 2020 to invest and construct the Jining Yanzhou Household Waste Incineration Power Generation PPP Project in Shandong Province, with a daily waste treatment capacity of 1,500 tonnes and the total investment was approximately HK\$900 million. As affected by the epidemic, the current actual project construction works are behind schedule. The project company is actively coordinating with the main contractor to carry out full construction works. We will strive to complete the trial operation at or before the end of 2021, after taking measures such as optimising the construction organisation plan and putting more construction work force.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

The Phase III expansion work of Hunan Changde Project is conducting the preparation works for construction. The expansion work of Jiangsu Zhangjiagang Project is also undergoing preliminary design works. Both projects are expected to further enhance the Group's household waste treatment capacity in 2021 and 2022 respectively.

During the six months ended 30 June 2020, revenue from the solid waste treatment segment was HK\$482 million, down by 12.5% year-on-year. EBITDA was HK\$242 million, down by 8.9% year-on-year. Net profit was HK\$118 million, down by 23.4% year-on-year.

During the period under business review, the ecological construction segment of the Group successfully bid and signed contracts of 26 municipal landscape construction projects in total, including 5 municipal landscape construction projects and 21 landscape planning and design projects. During the period, a total of 26 projects were under construction and maintenance. Due to the tremendous impact of the COVID-19 epidemic on municipal landscape construction enterprises, the construction of these projects was delayed accordingly, and the operating results for the period were fallen behind the budget. During the six months ended 30 June 2020, revenue from the ecological construction segment of the Group was HK\$117 million, representing an increase of 1.8%, and net profit was HK\$7.84 million, representing an increase of 16.0%.

BUSINESS PROSPECT

The Group will pay close attention to the development of COVID-19 epidemic and vigorously implement the "quality and efficiency improvement" under the premise of epidemic prevention and safety production. We will accelerate the construction progress of solid waste and ecological construction projects, strive to reduce costs and expenses, and also improve overall operational efficiency. On the other hand, leveraging its existing projects, the Group will explore new solid waste projects such as sludge, food waste and biomass to expand its business scope.

The Group will formulate a strategic development plan as soon as possible to actively contrive the Group's medium and long-term development. We will conduct in-depth study on new investment areas and new models, and fortify external investments. We will expand financing channels further by integrating new project investments with the financial market organically. The Group will operate and manage our businesses prudently to ensure that the Group's various operating performance indicators are further improved. We will actively make innovative move in technology development and practice new development concepts, with a view to promote high-quality development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue and gross profit

During the six months ended 30 June 2020, the Group recorded revenue of HK\$599.09 million, decreased by 10% as compared with the corresponding period in last year of HK\$666.24 million. The revenue derived from the solid waste treatment and the sale of electricity and steam amounted to HK\$455.82 million, decreased by 13% as compared with last corresponding period of HK\$521.44 million. The revenue derived from the construction and related services amounted to HK\$26.45 million, decreased by 12% as compared with last corresponding period of HK\$30.01 million. The revenue derived from the ecological construction services amounted to HK\$116.82 million, increased by 2% as compared with last corresponding period of HK\$114.79 million.

The Group's gross profit amounted to HK\$177.70 million, decreased by 19% or HK\$42.70 million as compared with last corresponding period of HK\$220.40 million. The overall gross profit margin declined from 33.1% to 29.7%.

	Revenue For the six months ended 30 June		Gross profit For the six months ended 30 June		Gross profit margin For the six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 %	2019 %
Household waste treatment	118.73	151.04				
Other solid waste treatment	53.26	49.27				
Sale of electricity and steam	283.83	321.13				
	455.82	521.44	140.65	197.32	30.9	37.8
Construction and related services	26.45	30.01	6.02	0.76	22.8	2.5
Ecological construction services	116.82	114.79	31.03	22.32	26.6	19.4
	599.09	666.24	177.70	220.40	29.7	33.1

Other income

The Group recorded other income of HK\$48.32 million during the six months ended 30 June 2020, increased by HK\$11.35 million as compared with last corresponding period of HK\$36.97 million. The other income for the period mainly comprised value added tax refund of HK\$34.49 million (first half of 2019: HK\$26.54 million) and interest income of HK\$6.46 million (first half of 2019: HK\$6.31 million).

Selling and distribution expenses

The Group's selling and distribution expenses for the six months ended 30 June 2020 decreased by 8% or HK\$0.10 million to HK\$1.12 million.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2020 increased by 8% or HK\$5.42 million to HK\$72.23 million, which was mainly caused by the additional administrative expenses of HK\$7.26 million incurred by the ecological construction services segment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other operating expenses, net

The Group incurred other operating expenses, net of HK\$4.75 million during the six months ended 30 June 2020, increased by HK\$2.03 million as compared with last corresponding period of HK\$2.72 million. The other operating expenses for the period mainly comprised net foreign exchange loss of HK\$4.05 million (first half of 2019: HK\$1.08 million).

Finance costs

The Group's finance costs for the six months ended 30 June 2020 increased by 9% or HK\$3.22 million to HK\$39.02 million, which mainly comprised interest on a bank loan of HK\$5.42 million (first half of 2019 HK\$5.60 million), interest on borrowings from 北京控股集團財務有限公司 ("BG Finance"), a fellow subsidiary of the Company, of HK\$17.04 million (first half of 2019: HK\$16.63 million), interest on other borrowings of HK\$0.71 million (first half of 2019: Nil) and imputed interest on convertible bonds issued to Idata Finance Trading Limited ("Idata"), the immediate holding company of the Company, of HK\$14.84 million (first half of 2019: HK\$14.55 million). Interest on other borrowings of HK\$2.31 million incurred for the expansion construction of solid waste treatment projects had been capitalised during the six months ended 30 June 2019.

Income tax

The Group's income tax expense for the six months ended 30 June 2020 amounted to HK\$12.08 million, decreased by 15% or HK\$2.11 million as compared with last corresponding period of HK\$14.19 million. Certain subsidiaries of the Group in Mainland China are (i) exempted from corporate income tax for three years starting from the first year they generate revenue and are granted by a 50% tax reduction for the ensuring three years; and (ii) qualified for the high-tech enterprises corporate income tax rate reduction. The Group's effective tax rate for the period was 11.1% (first half of 2019: 9.4%).

EBITDA and profit for the period

EBITDA for the six months ended 30 June 2020 was HK\$248.92 million, decreased by 9% or HK\$24.23 million as compared with last corresponding period of HK\$273.15 million. Profit for the period amounted to HK\$96.82 million, decreased by 29% or HK\$39.81 million as compared with last corresponding period of HK\$136.63 million. Profit for the period attributable to members of the Company amounted to HK\$92.45 million, decreased by 29% or HK\$38.11 million as compared with last corresponding period of HK\$130.56 million.

	EBITDA		Profit for the period		Profit for the period attributable to members of the Company	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million	2020 HK\$ million	2019 HK\$ million
Solid waste treatment segment	242.19	265.94	118.07	154.08	117.44	151.29
Ecological construction segment	18.01	13.56	7.84	6.76	4.10	3.44
Corporate and others segment	(11.28)	(6.35)	(29.09)	(24.21)	(29.09)	(24.17)
	248.92	273.15	96.82	136.63	92.45	130.56

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL POSITION

In January 2020, the Group established a joint venture to invest and construct the Jining Yanzhou Household Waste Incineration Power Generation PPP Project in Shandong Province, China, with a daily waste treatment capacity of 1,500 tonnes and a total investment of approximately HK\$900 million, which is scheduled to be put into operation in 2022. Except for the expansion construction and technical modifications on certain existing household waste treatment plants, the Group had made no material investment, acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2020.

Total assets and liabilities

As at 30 June 2020, the Group had total assets and total liabilities amounted to HK\$8,788 million and HK\$5,653 million, respectively, decreased by HK\$151 million and HK\$176 million as compared with those as at 31 December 2019, respectively.

Property, plant and equipment

The decrease in net carrying amount of the Group's property, plant and equipment by HK\$43 million during the period was mainly attributable to the expansion construction work of the Shandong Taian Project of HK\$17 million and the depreciation provided during the period of HK\$39 million (first half of 2019: HK\$23 million).

Goodwill

The Group acquired certain companies relating to solid waste treatment projects in April 2014 and October 2016 and an aggregate goodwill of HK\$1,123 million arose from these acquisitions. During the period, there has no significant consequence that giving rise to the material deterioration to the value-in-use value of the relevant companies and the Company will appoint an independent professional valuer to assess the goodwill impairment testing as at the financial year end.

Operating concessions

The Group's operating concessions are recognised from the solid waste treatment plants operated under Build-Operate-Transfer ("BOT") arrangements. During the period, construction expenditure of HK\$118 million has been incurred and HK\$52 million (first half of 2019: HK\$52 million) has been amortised in the statement of profit or loss.

Other intangible assets

The Group's other intangible assets mainly comprised the operating rights of the two household waste treatment plants operated under Build-Own-Operate ("BOO") arrangements. During the period, HK\$3 million (first half of 2019: HK\$3 million) has been amortised in the statement of profit or loss.

Receivables under service concession arrangements

The Group's receivables under service concession arrangements are recognised from the five household waste treatment plants operated under BOT arrangements with guaranteed waste treatment revenue, decreased by HK\$51 million during the period.

Inventories

The Group's inventories of HK\$37 million mainly represented coal and consumables for the solid waste treatment plants, decreased by HK\$2 million during the period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Trade and bills receivables

The Group's trade and bills receivables increased by HK\$87 million to HK\$477 million during the period. Based on the invoice date, trade and bills receivables of HK\$370 million (included the national subsidy of on-grid electricity of HK\$150 million from the Beijing Haidian Project for the period from trial operation in early 2017 to June 2020 which has not yet arranged for settlement) are outstanding within three months, and only HK\$21 million are outstanding for over one year.

Prepayments, other receivables and other assets

The Group's total prepayments, other receivables and other assets decreased by HK\$29 million to HK\$165 million during the period, which mainly comprised prepayments of HK\$73 million, value added tax refund and other taxes recoverable of HK\$31 million, balances due from non-controlling equity holders of HK\$25 million, deposits and other receivables of HK\$36 million.

Bank and other borrowings

The Group's bank and other borrowings were all denominated in Renminbi. During the period, the Group repaid RMB41 million and further advanced for RMB5 million. As at the end of the reporting period, the Group has bank and other borrowings amounted to RMB843 million, of which RMB174 million from a commercial bank, RMB621 million from BG Finance and RMB48 million from other parties relating to the business of ecological construction services. The weighted average interest rate of the Group's bank and other borrowings was approximately 4.7% per annum.

Convertible bonds

The Group's convertible bonds were issued to Idata with the principal amount of HK\$2,202 million in October 2016 and has the share conversion price of HK\$1.13, which are non-interest-bearing and will mature in October 2021. For accounting purpose, the outstanding convertible bonds were bifurcated into liability component of HK\$2,162 million and equity component of HK\$147 million as at the end of the reporting period.

Deferred income

The Group's deferred income of HK\$141 million represented PRC government grants and subsidies on solid waste treatment business, decreased by HK\$9 million during the period.

Trade payables

The Group's trade payables decreased by HK\$63 million to HK\$465 million during the period, of which HK\$137 million has not yet billed.

Other payables and accruals

The Group's other payables and accruals decreased by HK\$50 million to HK\$1,642 million during the period, which mainly comprised (i) an amount due to Idata of HK\$491 million (31 December 2019: HK\$491 million) and (ii) amounts due to fellow subsidiaries in aggregate of RMB916 million (31 December 2019: RMB911 million), which are unsecured and non-interest-bearing.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and financial resources

The Group adopts conservative treasury policies in cash management. As at 30 June 2020, the Group had cash and cash equivalents amounted to HK\$1,303 million (approximately 60% of which were denominated in Renminbi and 40% of which were denominated in Hong Kong dollars and United States dollars); bank and other borrowings amounted to RMB843 million; non-interest-bearing amounts due to Idata and certain fellow subsidiaries of the Company amounted to HK\$491 million and RMB916 million, respectively; and non-interest-bearing convertible bonds issued to Idata in the principal amount of HK\$2,202 million (which will mature in October 2021).

As at 31 December 2019, Beijing Enterprises Holdings Limited ("BEHL"), the intermediate holding company of the Company, has undertaken not to demand of the amounts due by the Group to Idata of HK\$491 million and its subsidiary of RMB800 million, until such time when the Group is in a position to repay without impairing its liquidity and financial position.

As at 30 June 2020, the Group's current liabilities of HK\$2,306 million exceeded its current assets of HK\$2,263 million. In consideration of the stable cash recurring nature of solid waste treatment operations and the financial support of the holding company, the directors of the Company considered that the Group will be able to operate on a going concern basis and the Group has sufficient cash resources to finance its operations in the foreseeable future.

Key performance indicators

	For the six months ended 30 June	
	2020	2019
Gross profit margin	29.7%	33.1%
Operating profit margin	24.7%	28.0%
Net profit margin	16.2%	20.5%
Return on average equity	3.3%	4.8%
	30 June 2020	31 December 2019
Current ratio (times)	0.98	0.93
Debt ratio (total liabilities/total assets)	64.3%	65.2%
Gearing ratio (net debt/total equity)	56.9%	55.2%

Capital expenditure and commitment

During the six months ended 30 June 2020, the Group's total capital expenditures amounted to HK\$139 million, of which HK\$138 million was spent on construction and modification of waste treatment plants and HK\$1 million was spent on purchase of other assets. As at 30 June 2020, the Group has capital commitment for service concession arrangements amounted to HK\$124 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Charges on the Group's assets

As at 30 June 2020, save as (i) the Group's land and buildings with a net carrying amount of HK\$43.06 million, the Group's right-of-use assets of HK\$19.94 million and the Group's trade receivables arising from the provision of solid waste treatment service with a net carrying amount of HK\$46.73 million are pledged for the Group's bank loans, and (ii) the Group's deposits from financial institutions of HK\$8.45 million are pledged as security deposits to the government authorities and a customer for the provision of construction and related services of solid waste treatment plants; the Group did not have any charges on the Group's assets.

Foreign exchange exposure

The Group's businesses are principally located in Mainland China and the majority of its transactions are conducted in Renminbi. As the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, any fluctuation of exchange rates would impact the Group's net asset value. During the six months ended 30 June 2020, the losses arising on settlement or translation of monetary items of HK\$4.05 million (first half of 2019: HK\$1.08 million) are taken to the statement of profit or loss and the comprehensive loss arising on translation of foreign operations of HK\$84.13 million (first half of 2019: HK\$18.22 million) are recognised in the exchange fluctuation reserve. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

Contingent liabilities

The final acceptance of the construction of certain waste treatment 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.

Save as disclosed above, as at 30 June 2020, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 1,192 employees (31 December 2019: 1,246). Total staff cost for the six months ended 30 June 2020 was HK\$106.03 million, decreased by 8% as compared with HK\$115.36 million in the corresponding period in last year. The Group's remuneration policy and package are periodically reviewed and generally structured by reference to market terms and individual performance. Discretionary bonuses are awarded to certain employees according to the assessment of individual performance.

No share option was granted, exercised or forfeited during the period under review. The Company has 37,620,000 share options outstanding as at 30 June 2020, which were granted on 21 June 2011 at an exercise price of HK\$1.25 per share and represented approximately 2.5% of the Company's ordinary shares in issue as at 30 June 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	4	599,092	666,239
Cost of sales		(421,387)	(445,834)
Gross profit		177,705	220,405
Other income	4	48,316	36,967
Selling and distribution expenses		(1,120)	(1,223)
Administrative expenses		(72,226)	(66,808)
Other operating expenses, net		(4,751)	(2,723)
PROFIT FROM OPERATING ACTIVITIES	5	147,924	186,618
Finance costs	6	(39,024)	(35,805)
PROFIT BEFORE TAX		108,900	150,813
Income tax	7	(12,078)	(14,188)
PROFIT FOR THE PERIOD		96,822	136,625
ATTRIBUTABLE TO:			
Members of the Company		92,453	130,555
Non-controlling interests		4,369	6,070
		96,822	136,625
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY	9		
– Basic (HK cents)		6.16	8.70
– Diluted (HK cents)		3.11	4.21

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	96,822	136,625
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(90,939)	(19,290)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,883	117,335
ATTRIBUTABLE TO:		
Members of the Company	8,326	112,338
Non-controlling interests	(2,443)	4,997
	5,883	117,335

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		1,082,340	1,125,398
Investment property		46,154	47,191
Right-of-use assets		67,069	76,327
Goodwill		1,122,551	1,122,551
Operating concessions		2,133,007	2,132,275
Other intangible assets		107,564	112,877
Investment in a joint venture		6,652	6,652
Receivables under service concession arrangements	10	1,924,739	1,972,804
Prepayments, other receivables and other assets	12	30,118	30,895
Deferred tax assets		5,189	7,684
Total non-current assets		6,525,383	6,634,654
Current assets:			
Inventories		37,416	39,668
Receivables under service concession arrangements	10	60,714	63,183
Trade and bills receivables	11	476,666	389,695
Contract assets		241,030	223,649
Prepayments, other receivables and other assets	12	135,057	163,097
Pledged deposits		8,452	8,642
Cash and cash equivalents		1,303,418	1,416,990
Total current assets		2,262,753	2,304,924
TOTAL ASSETS		8,788,136	8,939,578

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2020

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to members of the Company			
Share capital	13	2,227,564	2,227,564
Equity component of convertible bonds	14	147,029	147,029
Other reserves		451,443	443,117
		2,826,036	2,817,710
Non-controlling interests		309,479	293,255
TOTAL EQUITY		3,135,515	3,110,965
Non-current liabilities:			
Bank and other borrowings	15	785,632	783,500
Convertible bonds	14	2,162,006	2,147,168
Provision for major overhauls		7,957	7,298
Other payables	17	16,174	19,197
Deferred income		140,639	150,026
Deferred tax liabilities		233,737	238,638
Total non-current liabilities		3,346,145	3,345,827
Current liabilities:			
Trade payables	16	465,018	527,970
Other payables and accruals	17	1,625,581	1,672,960
Bank and other borrowings	15	140,385	203,427
Tax payables		75,492	78,429
Total current liabilities		2,306,476	2,482,786
TOTAL LIABILITIES		5,652,621	5,828,613
TOTAL EQUITY AND LIABILITIES		8,788,136	8,939,578

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to members of the Company									
	Equity component of		Share option reserve	Capital reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	Share capital	convertible bonds								
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2020	2,227,564	147,029	20,789*	12,180*	(214,424)*	26,144*	598,428*	2,817,710	293,255	3,110,965
Profit for the period	-	-	-	-	-	-	92,453	92,453	4,369	96,822
Other comprehensive loss for the period:										
Exchange fluctuation reserve: Translation of foreign operations	-	-	-	-	(84,127)	-	-	(84,127)	(6,812)	(90,939)
Total comprehensive income for the period	-	-	-	-	(84,127)	-	92,453	8,326	(2,443)	5,883
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	18,667	18,667
Transfer to PRC reserve funds	-	-	-	-	-	13,079	(13,079)	-	-	-
At 30 June 2020	2,227,564	147,029	20,789*	12,180*	(298,551)*	39,223*	677,802*	2,826,036	309,479	3,135,515
At 1 January 2019	2,227,564	147,029	20,789	12,180	(154,468)	18,764	383,576	2,655,434	299,845	2,955,279
Profit for the period	-	-	-	-	-	-	130,555	130,555	6,070	136,625
Other comprehensive loss for the period:										
Exchange fluctuation reserve: Translation of foreign operations	-	-	-	-	(18,217)	-	-	(18,217)	(1,073)	(19,290)
Total comprehensive income for the period	-	-	-	-	(18,217)	-	130,555	112,338	4,997	117,335
Transfer to PRC reserve funds	-	-	-	-	-	6,332	(6,332)	-	-	-
At 30 June 2019	2,227,564	147,029	20,789	12,180	(172,685)	25,096	507,799	2,767,772	304,842	3,072,614

* These reserve accounts comprise the consolidated other reserves of HK\$451,443,000 (31 December 2019: HK\$443,117,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	99,664	69,186
Mainland China income tax paid	(10,014)	(19,501)
Hong Kong income tax paid	(486)	–
Net cash flows from operating activities	89,164	49,685
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(20,896)	(45,081)
Additions of operating concessions	(117,968)	(3,900)
Increase in pledged deposits	–	(567)
Interest received	6,460	6,311
Other cash flows from investing activities, net	–	4,705
Net cash flows used in investing activities	(132,404)	(38,532)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution by non-controlling interests	18,667	–
New bank loans	–	98,638
Repayment of bank loans	(11,111)	(11,628)
New other loans	5,678	37,174
Repayment of other loans	(34,222)	(74,419)
Repayment of amount due to the immediate holding company	–	(300,000)
Interest paid	(23,181)	(22,225)
Other cash flows from financial activities, net	(8,007)	–
Net cash flows used in financing activities	(52,176)	(272,460)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(95,416)	(261,307)
Cash and cash equivalents at beginning of period	1,306,276	1,610,717
Effect of foreign exchange rate changes, net	(17,858)	(1,806)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,193,002	1,347,604

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits		
Placed in banks	880,067	823,292
Placed in a financial institution	69,386	65,680
Time deposits	362,417	470,596
Less: Pledged deposits	(8,452)	(11,964)
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	1,303,418	1,347,604
Less: Time deposits with maturity of more than three months when acquired	(110,416)	–
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	1,193,002	1,347,604

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has 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. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

In preparing the interim condensed consolidated financial information, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets as at 30 June 2020. Taking into account the Group's internal resources and undertaking from Beijing Enterprises Holdings Limited ("BEHL"), the intermediate holding company, not to demand repayment of the amounts due by the Group to its subsidiaries until such time when the Group is in a position to repay without impairing its liquidity and financial position, the directors of the Company considered that the Group will be able to operate on a going concern basis. Accordingly, the interim condensed consolidated financial information has been prepared on a going concern basis.

The financial information relating to the year ended 31 December 2019 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 consolidated financial statements. Further information relating to those statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditor has reported on the consolidated financial statements of the Company for the year ended 31 December 2019. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19 – Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the above revised HKFRSs has had no significant financial effect on this unaudited interim condensed consolidated financial information and there has been no significant changes to the accounting policies applied in this unaudited condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The following table presents the revenue and profit/(loss) regarding the Group's operating segments for the six months ended 30 June 2020 and 2019 and the total assets and total liabilities regarding the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively.

	Solid waste treatment (Unaudited) HK\$'000	Ecological construction services (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2020				
Segment revenue (note 4)	482,268	116,824	–	599,092
Cost of sales	(335,591)	(85,796)	–	(421,387)
Gross profit	146,677	31,028	–	177,705
Profit/(loss) from operating activities	151,976	9,855	(13,907)	147,924
Finance costs	(22,780)	(1,328)	(14,916)	(39,024)
Profit/(loss) before tax	129,196	8,527	(28,823)	108,900
Income tax	(11,120)	(690)	(268)	(12,078)
Profit/(loss) for the period	118,076	7,837	(29,091)	96,822
Segment profit/(loss) attributable to members of the Company	117,449	4,094	(29,090)	92,453
At 30 June 2020				
Segment assets	8,139,356	392,220	256,560	8,788,136
Segment liabilities	2,730,329	285,753	2,636,539	5,652,621

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

3. OPERATING SEGMENT INFORMATION (CONTINUED)

	Solid waste treatment (Unaudited) HK\$'000	Ecological construction services (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2019				
Segment revenue (note 4)	551,452	114,787	–	666,239
Cost of sales	(353,369)	(92,465)	–	(445,834)
Gross profit	198,083	22,322	–	220,405
Profit/(loss) from operating activities	186,823	8,861	(9,066)	186,618
Finance costs	(20,276)	(747)	(14,782)	(35,805)
Profit/(loss) before tax	166,547	8,114	(23,848)	150,813
Income tax	(12,465)	(1,357)	(366)	(14,188)
Profit/(loss) for the period	154,082	6,757	(24,214)	136,625
Segment profit/(loss) attributable to members of the Company	151,285	3,441	(24,171)	130,555
At 31 December 2019				
Segment assets	8,117,033	417,778	404,767	8,939,578
Segment liabilities	2,888,400	316,339	2,623,874	5,828,613

During the six months ended 30 June 2020, the Group acquired property, plant and equipment and operating concessions with a total cost of HK\$138,864,000 (six months ended 30 June 2019: HK\$48,981,000).

Geographical information

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

Information about a major customer

During the six months ended 30 June 2020, the Group had transactions with an external customer (six months ended 30 June 2019: one) which accounted for over 10% of the Group's total revenue. The revenue generated from sales to this customer for the six months ended 30 June 2020 is amounted to HK\$114,103,000 (six months ended 30 June 2019: HK\$140,735,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

4. REVENUE AND OTHER INCOME

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

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue		
Household waste treatment*	118,732	151,039
Hazardous and medical waste treatment	21,660	32,660
Food waste, leachate, sludge and other treatments	31,594	16,611
Sale of electricity	279,912	305,724
Sale of steam	3,916	15,410
Construction and related services	26,454	30,008
Landscaping construction services	87,828	93,889
Landscaping design services	28,996	20,898
	599,092	666,239
Other income		
Value added tax refund	34,493	26,539
Interest income	6,460	6,311
Rental income	1,442	1,504
Government grant#	2,844	1,544
Others	3,077	1,069
	48,316	36,967

* Imputed interest income under service concession arrangements during the period amounting to HK\$44,626,000 (six months ended 30 June 2019: HK\$47,174,000) was included in the revenue derived from household waste treatment 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 INFORMATION (CONTINUED)

For the six months ended 30 June 2020

4. REVENUE AND OTHER INCOME (CONTINUED)

Revenue from contracts with customers

Disaggregated revenue information

Segment	Solid waste treatment (Unaudited) HK\$'000	Ecological construction services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2020			
Type of goods or services			
Household waste treatment	74,106	–	74,106
Hazardous and medical waste treatment	21,660	–	21,660
Food waste, leachate, sludge and other treatments	31,594	–	31,594
Sale of electricity	279,912	–	279,912
Sale of steam	3,916	–	3,916
Construction and related services	26,454	–	26,454
Landscaping construction services	–	87,828	87,828
Landscaping design services	–	28,996	28,996
Total revenue from contracts with customers	437,642	116,824	554,466
Revenue from another source:			
Imputed interest income	44,626	–	44,626
Total revenue	482,268	116,824	599,092
Geographical markets			
Mainland China	427,690	116,824	544,514
Hong Kong	9,952	–	9,952
Total revenue from contracts with customers	437,642	116,824	554,466
Revenue from another source:			
Imputed interest income	44,626	–	44,626
Total revenue	482,268	116,824	599,092
Timing of revenue recognition			
Goods and services transferred at a point of time	421,140	–	421,140
Services transferred over time	16,502	116,824	133,326
Total revenue from contracts with customers	437,642	116,824	554,466
Revenue from another source:			
Imputed interest income	44,626	–	44,626
Total revenue	482,268	116,824	599,092

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

4. REVENUE AND OTHER INCOME (CONTINUED)

Revenue from contracts with customers (continued)

Disaggregated revenue information (continued)

Segment	Solid waste treatment (Unaudited) HK\$'000	Ecological construction services (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2019			
Type of goods or services			
Household waste treatment	103,865	–	103,865
Hazardous and medical waste treatment	32,660	–	32,660
Food waste, leachate, sludge and other treatments	16,611	–	16,611
Sale of electricity	305,724	–	305,724
Sale of steam	15,410	–	15,410
Construction and related services	30,008	–	30,008
Landscaping construction services	–	93,889	93,889
Landscaping design services	–	20,898	20,898
Total revenue from contracts with customers	504,278	114,787	619,065
Revenue from another source:			
Imputed interest income	47,174	–	47,174
Total revenue	551,452	114,787	666,239
Geographical markets			
Mainland China	477,845	114,787	592,632
Hong Kong	26,433	–	26,433
Total revenue from contracts with customers	504,278	114,787	619,065
Revenue from another source:			
Imputed interest income	47,174	–	47,174
Total revenue	551,452	114,787	666,239
Timing of revenue recognition			
Goods and services transferred at a point of time	500,703	–	500,703
Services transferred over time	3,575	114,787	118,362
Total revenue from contracts with customers	504,278	114,787	619,065
Revenue from another source:			
Imputed interest income	47,174	–	47,174
Total revenue	551,452	114,787	666,239

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

5. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	38,897	23,485
Depreciation of right-of-use assets	7,664	7,995
Amortisation of operating concessions*	51,576	52,096
Amortisation of other intangible assets*	2,861	2,956
Foreign exchange difference, net	4,052	1,079

* The amortisation of operating concessions and other intangible assets (excluding computer software amounting to HK\$300,000 (six months ended 30 June 2019: HK\$276,000)) are included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on bank and other borrowings	23,181	22,225
Imputed interest on convertible bonds (note 14)	14,838	14,554
Interest on lease liabilities	783	1,149
Total interest expenses	38,802	37,928
Less: Interest capitalised	–	(2,306)
	38,802	35,622
Other finance costs:		
Increase in discounted amounts of provision for major overhauls arising from the passage of time	222	183
	39,024	35,805

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profit arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current – Hong Kong Charge for the period	37	817
Current – Mainland China Charge for the period	9,280	12,579
Under provision in prior periods	61	158
	9,378	13,554
Deferred	2,700	634
Total tax charge for the period	12,078	14,188

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

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

9. EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY

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

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

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

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Earnings		
Profit for the period attributable to members of the Company used in the basic earnings per share calculation	92,453	130,555
Imputed interest on convertible bonds (note 6)	14,838	14,554
<hr/>		
Profit for the period attributable to members of the Company before imputed interest on convertible bonds	107,291	145,109
<hr/>		
	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,500,360,150	1,500,360,150
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	1,948,938,053	1,948,938,053
<hr/>		
	3,449,298,203	3,449,298,203
<hr/>		

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

An ageing 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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Unbilled:		
Current portion	60,714	63,183
Non-current portion	1,924,739	1,972,804
	1,985,453	2,035,987

As at 31 December 2019, contract assets which were presented as receivables under service concession arrangements amounted to HK\$89,053,000.

Contract assets are initially recognised for revenue earned from the provision of construction services for the infrastructures during the period of construction under the service concession arrangements. Pursuant to the service concession agreements, the Group receives no payment from the grantors during the construction period and receives service fees when relevant provision of solid waste treatment services are rendered. The receivables under service concession arrangement (including the contract assets therein) are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. Amounts billed will then be transferred to trade receivables (note 11). The decrease in contract assets as at 30 June 2020 was the result of the completion of a solid waste incineration plant. The Group's trading terms and credit policy with customers are disclosed in note 11 to the financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

11. TRADE AND BILLS RECEIVABLES

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 3 months	370,201	317,168
4 to 6 months	39,341	33,925
7 to 12 months	46,268	18,303
1 to 2 years	14,261	13,432
2 to 3 years	2,124	4,851
Over 3 years	4,471	2,016
	476,666	389,695

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

As at 30 June 2020, the trade receivables of HK\$46,730,000 (31 December 2019: HK\$45,390,000) arising from the provision of solid waste treatment service are pledged to secure a bank loan granted to the Group (note 15(b)).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Prepayments	72,712	89,377
Deposits and other receivables	65,842	91,975
Due from fellow subsidiaries	5,396	4,077
Due from non-controlling equity holders	26,764	14,227
	170,714	199,656
Impairment allowance	(5,539)	(5,664)
	165,175	193,992
Current portion	(135,057)	(163,097)
	30,118	30,895

The balances with the fellow subsidiaries and the non-controlling equity holders are unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Issued and fully paid: 1,500,360,150 (31 December 2019: 1,500,360,150) ordinary shares	2,227,564	2,227,564

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

14. CONVERTIBLE BONDS

A summary of the movements in the principal amount, and the liability and equity components of the Company's convertible bonds during the six months ended 30 June 2020 and 2019 is as follows:

	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Principal amount outstanding		
At 1 January 2019, 30 June 2019, 31 December 2019, 1 January 2020 and 30 June 2020	2,202,300	2,202,300
Liability component		
At 1 January	2,147,168	2,117,717
Imputed interest expenses (note 6)	14,838	14,554
At 30 June	2,162,006	2,132,271
Imputed interest expenses		14,897
At 31 December		2,147,168
Equity component		
At 1 January 2019, 30 June 2019, 31 December 2019, 1 January 2020 and 30 June 2020	147,029	147,029

The outstanding convertible bonds were issued to Idata Finance Trading Limited ("Idata"), the immediate holding company of the Company and a wholly-owned subsidiary of BEHL, as consideration on 31 October 2016 pursuant to the completion of the acquisition of certain equity interests in companies engaged in the solid waste treatment business from BEHL. The 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 INFORMATION (CONTINUED)

For the six months ended 30 June 2020

15. BANK AND OTHER BORROWINGS

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Bank loan, secured	(b)	191,247	206,781
Other loans, unsecured			
A fellow subsidiary	(c)	682,297	717,169
Others	(d)	52,473	62,977
		734,770	780,146
Total bank and other borrowings		926,017	986,927
Portion classified as current liabilities		(140,385)	(203,427)
Non-current portion		785,632	783,500

Notes:

- (a) The Group's bank and other borrowings were all denominated in RMB.
- (b) As at 30 June 2020, the Group's secured bank loan bears interest at a floating loan prime rate of five years or above from the People's Bank of China less 2 basis points (31 December 2019: a floating lending rate of five years or above from the People's Bank of China plus a 5-10% margin) and is secured by the pledge over (i) the Group's land and buildings with a net carrying amount of HK\$43,055,000 (31 December 2019: HK\$45,322,000); (ii) the Group's right-of-use assets of HK\$19,942,000 (31 December 2019: HK\$20,649,000); and (iii) the Group's trade receivables arising from the provision of solid waste treatment service with an aggregate net carrying amount of HK\$46,730,000 (31 December 2019: HK\$45,390,000) (note 11) and is repayable by instalments up to 2026.
- (c) As at 30 June 2020, the Group's other loans from 北京控股集團財務有限公司 ("BG Finance"), a fellow subsidiary of the Company and an authorised financial institution under China Banking Regulatory Commission, bear interest at a floating loan prime rate of five years or above from the People's Bank of China ranged from less 4.4 to plus 10.3 basis points (31 December 2019: floating lending rates of five years or above from the People's Bank of China ranged from 94% at discount to 103% at premium) and are repayable by instalments up to 2026. Included in other loans from BG Finance of HK\$400,989,000 (31 December 2019: HK\$410,000,000) are guaranteed by a fellow subsidiary of the Company.
- (d) The Group's other loans are repayable on demand and advanced from (i) non-controlling equity holders of HK\$23,187,000 (31 December 2019: HK\$19,101,000), of which HK\$5,495,000 (31 December 2019: HK\$5,618,000) is interest free and HK\$17,692,000 (31 December 2019: HK\$13,483,000) bear interest at floating lending rates from the People's Bank of China; and (ii) third parties of HK\$29,286,000 (31 December 2019: HK\$43,876,000), of which HK\$5,220,000 (31 December 2019: HK\$15,337,000) are interest free and HK\$24,066,000 (31 December 2019: HK\$28,539,000) bear interest at floating lending rates from the People's Bank of China.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

16. TRADE PAYABLES

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Billed:		
Less than 3 months	119,890	121,620
4 to 6 months	24,620	123,154
7 to 12 months	66,979	46,522
Over 1 year	116,713	90,527
	328,202	381,823
Unbilled	136,816	146,147
	465,018	527,970

Included in the trade payables of the Group is an amount of HK\$58,193,000 (31 December 2019: HK\$59,517,000) 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 non-controlling equity holder to its major customers.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

17. OTHER PAYABLES AND ACCRUALS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Other payables	90,130	95,301
Contract liabilities	6,071	18,098
Lease liabilities	25,223	30,571
Accruals	19,719	30,053
Due to the immediate holding company	491,000	491,000
Due to fellow subsidiaries	1,007,025	1,023,946
Due to a joint venture	2,587	3,188
Total other payables and accruals	1,641,755	1,692,157
Current Portion	(1,625,581)	(1,672,960)
Non-current portion	16,174	19,197

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

The balances with the immediate holding company, the fellow subsidiaries and a joint venture are unsecured, interest-free and repayable on demand. As at 31 December 2019, BEHL has undertaken not to demand repayment of the amounts due by the Group to Idata of HK\$491,000,000 and a fellow subsidiary of the Company of RMB800,000,000 (equivalent to HK\$879,121,000) until such time when the Group is in a position to repay without impairing its liquidity and financial position.

18. 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, 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.

Save as disclosed above, at 30 June 2020, the Group did not have any significant contingent liabilities.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

19. COMMITMENTS

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Contracted, but not provided for:		
Service concession arrangements on a BOO basis	53,008	51,188
Service concession arrangements on a BOT basis	71,143	55,281
	124,151	106,469

20. RELATED PARTY DISCLOSURES

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

Name of related party	Nature of transactions	Notes	For the six months ended 30 June	
			2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Fellow subsidiaries:				
北京北控宏創科技有限公司 ("Hong Chuang")	Rental income [#]	(i)	1,423	1,485
BG Finance	Interest income [#]	(ii)	141	187
BG Finance	Interest expense	(iii)	17,042	16,629

- [#] 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 INFORMATION *(CONTINUED)*

For the six months ended 30 June 2020

20. RELATED PARTY DISCLOSURES *(CONTINUED)*

(a) *(continued)*

Notes:

- (i) The rental income received from Hong Chuang in respect of Block 5, Beikong Hong Chuang Technology Park, Beijing, the PRC was mutually agreed between the parties under the property escrow agreements dated 25 October 2018 and was determined with reference to the prevailing market rent generally applicable to similar properties in the market. Further details of the transaction are set out in the announcement of the Company dated 25 October 2018.
- (ii) The interest received from BG Finance was mutually agreed between the parties under the deposit services master agreement dated 27 December 2017, pursuant to which the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time for the period from 1 January 2018 to 31 December 2020. The deposit rate will not be lower than (i) the minimum interest rate prescribed by the People's Bank of China; (ii) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group; and (iii) the interest rates offered by BG Finance to other members of 北京控股集團有限公司 ("BEGCL"), for the same type of deposits at the same period; and the cumulative daily outstanding deposit balance in Hong Kong dollars equivalent placed by the Group with BG Finance (including any interest accrued thereon) during the term of the agreement will not exceed HK\$73,800,000. The deposits placed by the Group with BG Finance as at 30 June 2020 amounted to HK\$69,386,000 (31 December 2019: HK\$56,440,000). Further details of the transaction are set out in the announcement of the Company dated 27 December 2017.
- (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.

(b) Outstanding balances with related parties

- (i) Details of the Group's balances with the immediate holding company, the fellow subsidiaries, a joint venture and the non-controlling equity holders included in prepayments, other receivables and other assets, bank and other borrowings, trade payables and other payables and accruals as at the end of the reporting period are disclosed in notes 12, 13, 16 and 17 to the financial information, respectively.
- (ii) Details of the Group's cash deposits placed in and other loans borrowed from the fellow subsidiary as at the end of the reporting period are disclosed in notes 20(a)(ii) and 15(c) to the financial information, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

20. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Short term employee benefits	6,427	6,768
Post-employment benefits	160	343
Total compensation paid to key management personnel	6,587	7,111

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

The Company is a state-owned enterprise of the PRC government and is subject to the control of The State-owned Assets Supervision and Administration Commission of The People's Government of Beijing Municipality and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "Other SOEs"). During the period, the Group has transactions with the Other SOEs including, but not limited to, the sale of electricity, provision of waste treatment and construction services, bank deposits and utilities consumptions. The directors 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.

21. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 30 June 2020 amounted to HK\$43,723,000 (31 December 2019: HK\$177,862,000) and HK\$6,481,660,000 (31 December 2019: HK\$6,456,792,000), respectively.

22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 31 August 2020.

DISCLOSEABLE INFORMATION

DIRECTORS

The directors of the Company during the six months ended 30 June 2020 and up to the date of this report were:

Executive directors:

Mr. Ke Jian	<i>(Chairman and Chief Executive Officer)</i>
Ms. Sha Ning	<i>(Vice President)</i>
Mr. Ng Kong Fat, Brian	
Mr. E Meng	<i>(Resigned on 3 January 2020)</i>

Independent non-executive directors:

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

CHANGES IN DIRECTORS' INFORMATION

Since the date of the Company's 2019 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 2020, no director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the transactions with its fellow subsidiaries, further details of which are set out in note 20(a) to the interim condensed consolidated financial information, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transaction, arrangement or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the six months ended 30 June 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2020 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:

During the six months ended 30 June 2020, Mr. E Meng was 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:

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

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

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

At 30 June 2020, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

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

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

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.

Save as disclosed above, as at 30 June 2020, 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.

DISCLOSEABLE INFORMATION (CONTINUED)

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations.

There were no movements in the Company’s share options outstanding during the six months ended 30 June 2020 and the following table disclosed the Company’s share options outstanding as at 30 June 2020:

Name or category of participant	Number of share options
Executive director:	
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	30,110,000
	<hr/>
	37,620,000

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.

As at 30 June 2020 and the date of this interim report, there were total 37,620,000 share options outstanding under the Scheme, representing approximately 2.5% of the ordinary shares of the Company in issue. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 37,620,000 additional ordinary shares of the Company and additional share capital of HK\$67,814,000.

Save as disclosed above, at no time during the six months ended 30 June 2020 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 its fellow subsidiaries, further details of which are set out in note 20(a) to the interim condensed consolidated financial information, no contracts of significance in relation to the Group’s business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director had a material interest, whether directly or indirectly, subsisted during the six months ended 30 June 2020 or at 30 June 2020.

DISCLOSEABLE INFORMATION (CONTINUED)

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

At 30 June 2020, the following interests and short positions of 5% or more of share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

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

Notes:

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

Save as disclosed above, as at 30 June 2020, 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 2020.

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 2020.

- (1) Under Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation of a majority of directors entitled to present. However, the Company considers it is more efficient to hold board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the directors.
- (2) Under Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the retirement of Mr. E Meng as Chairman on 3 January 2020, Mr. Ke Jian assumes the positions of chairman of the Board and Chief Executive Officer. The Company considers that such arrangement can bring benefits to the Company's business development and management at present, and will not impair the balance of power and authority between the Board and the management of the Company.
- (3) Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for non-executive directors to voice their views by individual communication with the chairman of the board.
- (4) Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. However, all existing non-executive directors of the Company are not appointed for a specific term but subject to retirement by rotation at the annual general meeting in accordance with the Company's articles of association.
- (5) Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, the independent non-executive directors of the Company were unable to attend the 2020 annual general meeting of the Company due to other business engagements.
- (6) Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration and nomination committees to attend. However, the chairman of the board and the chairmen of the board committees were unable to attend the 2020 annual general meeting of the Company due to other business engagements.

CORPORATE GOVERNANCE *(CONTINUED)*

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 2020.

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 2020.

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 2020, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.