



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

(formerly known as "Beijing Development (Hong Kong) Limited")
(Stock Code 154)



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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

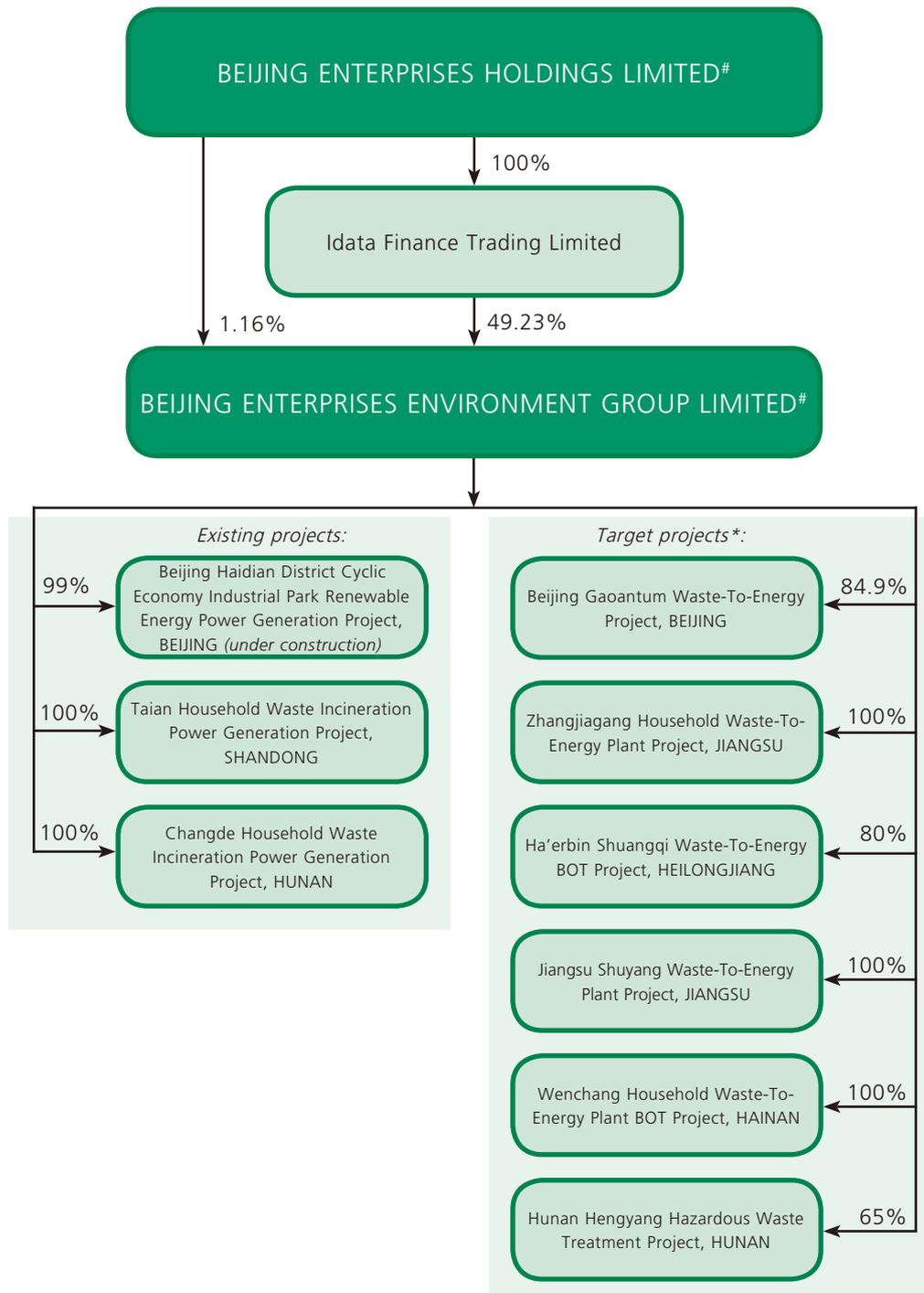
PRINCIPAL BANKERS

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 2016



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

* The acquisition of the target projects is expected to be completed in the second half of 2016

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF COMPANY NAME

The Group has committed to implement strategic transformation to restructure its existing business into the environmental protection and solid waste treatment industry. In complementing the future development strategy of the Company and place it in a better position to identify itself as a member of Beijing Enterprises Holdings Limited (stock code: 392) with focus in the environmental protection industry, the Company has changed its company name to “Beijing Enterprises Environment Group Limited” with effect from 22 July 2016.

BUSINESS REVIEW

During the period under review, following the completion of the disposal of its 72% equity interest in B E Information Technology Group Limited (“BEITG”, an investment holding company holding subsidiaries which are principally engaged in the provision of system integration, software development and total education solutions services) in March 2016, the Company focus on household waste incineration-power generation business and has two projects in operation and one project under construction in Mainland China.

During the period, 常德市生活垃圾焚燒發電項目 (Changde Household Waste Incineration Power Generation Project, the “Changde Project”), located in Hunan Province handled solid waste of 128,188 tonnes (first half of 2015: 159,060 tonnes) and generated on grid electricity of 42.86 million kWh (first half of 2015: 49.71 million kWh). The Changde Project recorded a total revenue of HK\$35.98 million (first half of 2015: HK\$47.42 million) and contributed an EBITDA (excluding foreign exchange difference) of HK\$23.92 million (first half of 2015: HK\$28.66 million) and a net profit of HK\$14.30 million (first half of 2015: HK\$19.59 million).

山東泰安生活垃圾焚燒發電項目 (Taian Household Waste Incineration Power Generation Project, the “Taian Project”) located in Shandong Province handled solid waste of 210,468 tonnes (first half of 2015: 148,540 tonnes) and generated on grid electricity of 32.92 million kWh (first half of 2015: 25.45 million kWh). The Taian Project recorded a total revenue of HK\$36.45 million (first half of 2015: HK\$31.40 million) and contributed an EBITDA (excluding foreign exchange difference) of HK\$12.07 million (first half of 2015: HK\$12.10 million) and a net profit of HK\$2.78 million (first half of 2015: HK\$3.11 million).

With the increasing municipal waste produced and demand of the environmental standards, the Group has commenced expansion programs and technical modifications for the two projects in operation during the period. For the Changde Project, the government approvals for constructing an additional production line equipped with a grate furnace of waste treatment capacity of 600 tonnes/day are basically completed and the construction will commence soon. For the Taian Project, the government approvals for constructing two production lines each equipped a grate furnace of waste treatment capacity of 600 tonnes/day are in process.

The construction and facilities installation of 北京市海澱區循環經濟產業園再生能源發電廠PPP項目 (Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Plant PPP Project, the “Haidian Project”) is nearly completed and is undergoing detailed testing and fine tuning. The Haidian Project is targeted to commence trial operation by the end of this year. During the period under review, it has recognised revenue of HK\$88.49 million (included imputed interest income of HK\$14.27 million) and gross profit of HK\$22.15 million from the provision of construction services.

BUSINESS PROSPECTS

In order to enhance the development of solid waste treatment business, widen the source of income and improve the overall financial results of the Company so as to provide stable cash flow, the Company has been seeking for merger and acquisition opportunities in solid waste treatment industry with a view to solidify the position of the Company in solid waste treatment industry, capturing larger market share and achieving “economies of scale”.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS PROSPECTS (continued)

On 31 March 2016, the Company entered into a sale and purchase agreement with BEHL, pursuant to which the Company has conditionally agreed to acquire five household waste incineration projects and one hazardous waste and medical waste treatment project (the "Target Projects") at an aggregate consideration of RMB1.85 billion (equivalent to HK\$2.2023 billion), which will be satisfied by the issue of new convertible bonds with initial conversion price of HK\$1.13 per share (the "Acquisition"). The Acquisition was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 18 July 2016. The Acquisition is still subject to the fulfilment of certain conditions precedent and is expected to be completed in the second half of this year.

The Target Projects are located in major cities or provincial capitals of the PRC and have maximum solid waste treatment capacity amounting to 5,907 tonnes/day. The Target Projects have a track record of grate furnace technology, which is a widely-used technology in the waste-to-energy industry, and a team of experienced operation team which could promote rapid development of the Group's existing solid waste treatment business.

The Acquisition is in line with the Company's business strategy of focusing on solid waste treatment business. In light of the premium quality of the Target Projects, the Acquisition is a valuable opportunity to improve the Company's revenue and benefits, and also accords with the Company's strategic intent to develop into a flagship platform conducting solid waste treatment business under 北京控股集團有限公司, and will significantly increase the scale of business of the Company and the value of its shareholders accordingly. Going forward, it is the strategy of the Company to further expand into the waste-to-energy sector and the Group would seek for potential investment and acquisition opportunities to enrich its existing business portfolio.

FINANCIAL REVIEW

Continuing operations

Revenue and gross profit

During the six months ended 30 June 2016, the Group's revenue represented the provision of solid waste treatment, sales of electricity and steam from the Changde Project and the Taian Project and the provision of construction services from the Haidian Project.

	For the six months ended 30 June 2016			For the six months ended 30 June 2015
	Provision of solid waste treatment, sales of electricity and steam HK\$ million	Provision of construction services HK\$ million	Total HK\$ million	Provision of solid waste treatment, sales of electricity and steam HK\$ million
Revenue	72.43	88.49	160.92	78.82
Cost of sales	(53.36)	(66.34)	(119.70)	(53.63)
Gross profit	19.07	22.15	41.22	25.19
Gross profit margin	26.3%	25.0%	25.6%	32.0%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (continued)

Continuing operations (continued)

Revenue and gross profit (continued)

The total revenue of the Group was HK\$160.92 million in the first half of 2016, increased by HK\$82.1 million as compared with HK\$78.82 million in the corresponding period last year. The increase was mainly contributed by the revenue from the provision of construction services recognised under the Haidian Project of HK\$88.49 million during the period.

The Changde Project and the Taian Project contributed total revenue of HK\$72.43 million during the period, decreased by 8.1% as compared with the corresponding period last year. The total revenue comprised the provision of waste treatment services of HK\$22.12 million (increased by 3.3% as compared with the corresponding period last year) and sale of electricity and steam generated from waste incineration of HK\$50.31 million (decreased by 12.4% as compared with the corresponding period last year). The decrease in revenue from sale of electricity was mainly caused by the major overhaul conducted by the Changde Project during the period.

Other income and gains, net

The Group's other income and gains in the first half of 2016 amounted to HK\$21.91 million, as compared with HK\$7.52 million in first half of 2015. The other income and gains mainly comprised bank interest income of HK\$3.92 million (first half of 2015: HK\$5.81 million), refund of value added tax of HK\$4.70 million, rental income of HK\$1.51 million and foreign exchange gain of HK\$11.48 million.

Selling and distribution expenses and administrative expenses

The Group's selling and distribution expenses in the first half of 2016 amounted to HK\$1.59 million (first half of 2015: Nil). The Group's administrative expenses in the first half of 2016 amounted to HK\$30.97 million, increased by HK\$14.87 million as compared with HK\$16.10 million in the first half of 2015. The administrative expenses allocated to the solid waste treatment segment was HK\$16.87 million (first half of 2015: HK\$6.74 million) and the corporate and others segment was HK\$14.10 million (first half of 2015: HK\$9.36 million). The increase in administrative expenses was mainly resulted from establishing a team of solid waste professions for business expansion and future development during the period.

Finance costs

As a result of the waiver of interest accrued on the convertible bonds by the immediate holding company of the Company, Idata Finance Trading Limited ("Idata"), the Group's finance cost in the first half of 2016 decreased by HK\$3.89 million from the first half of 2015 to HK\$1.73 million, which was wholly represented by the deemed interest on the convertible bonds.

Income taxes

The Group's income tax charge for the first half of 2016 comprised an income tax expense of HK\$2.44 million (first half of 2015: HK\$2.14 million) and a net deferred tax charge of HK\$5.97 million (first half of 2015: tax credit of HK\$1.32 million), totalling HK\$8.41 million, increased by HK\$7.59 million as compared with HK\$0.82 million in the first half of 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (continued)

Discontinued operation

The revenue of the information technology segment (disposed of during the period and was classified as a discontinued operation) was HK\$14.75 million and recorded an operating loss of HK\$15.23 million during the three months ended 31 March 2016. Taking into account of the gain on disposal of HK\$80.97 million (including realisation of exchange reserves of HK\$37.29 million), the net profit from a discontinued operation was HK\$65.74 million.

Profit for the period

Profit for the period amounted to HK\$86.10 million, increased by HK\$95.17 million as compared with loss of HK\$9.07 million in the corresponding period last year.

Profit for the period from continuing operations was HK\$20.36 million, increased by HK\$10.21 million as compared with HK\$10.15 million in the corresponding period last year. By excluding the abovementioned foreign exchange gain of HK\$11.48 million, the adjusted profit for the period amounted to HK\$8.88 million, decreased by HK\$1.27 million as compared with corresponding period last year.

	Profit/(loss) for the period		Profit/(loss) for the period attributable to members of the Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2016 HK\$ million	2015 HK\$ million	2016 HK\$ million	2015 HK\$ million
Continuing operations				
– Solid waste treatment segment	25.63	19.48	26.88	19.52
– Corporate and other segment	(5.27)	(9.33)	(5.26)	(9.26)
	20.36	10.15	21.62	10.26
Discontinued operation				
– Information technology segment	65.74	(19.22)	70.18	(13.57)
	86.10	(9.07)	91.80	(3.31)

The EBITDA (excluding foreign exchange gain of HK\$11.48 million) of the Group's continuing operations in the first half of 2016 was HK\$33.39 million, increased by 12% as compared with HK\$29.81 million in 2015. The Group's returns on total assets and net assets during the six months ended 30 June 2016 were 2.12% and 4.13%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL POSITION

Investing activities

The acquisition of five household waste incineration projects and one hazardous waste and medical waste treatment project from BEHL for a total consideration of RMB1.85 billion (equivalent to HK\$2.2023 billion) was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 18 July 2016. The Acquisition is still subject to the fulfilment of certain conditions precedent and is expected to be completed in the second half of this year. Further details of the Acquisition are set out in the circular of the Company dated 24 June 2016. Except for the foregoing, the Group has no acquisition of subsidiary during the period under review.

In March 2016, the Group has completed the disposal of its 72% equity interest in B E Information Technology Group Limited ("BEITG") and the shareholders' loans owed by BEITG and its subsidiaries (the "BEITG Group") to the Company to a fellow subsidiary of the Company, Beijing Enterprises Group Information Limited (a wholly-owned subsidiary of 北京控股集團有限公司, the ultimate holding company of the Company) for a total cash consideration of HK\$126 million. The BEITG Group was engaged in the provision of system integration, software development and total education solutions services and has incurred an operating loss attributable to members of the Company of HK\$10.79 million during the three months ended 31 March 2016. A gain on disposal of HK\$80.97 million (including realisation of exchange reserves of HK\$37.29 million) was recognised by the Group during the first half of 2016. Further details of the disposal are set out in the circular of the Company dated 23 April 2015.

Financing activities

During the six months ended 30 June 2016, the number of ordinary shares of the Company in issue has been increased by 1,000,000 to 1,500,360,150 upon the exercise of employees' share options. On 31 March 2016, Idata has agreed to unilaterally waive (i) the payment of the paid interests accrued on the convertible bonds amounting to HK\$12.06 million and refund such interests in full to the Company; and (ii) interests payable under the outstanding convertible bonds to be incurred up to their maturity date. Such refund was recognised in the capital reserve account as deemed contribution from the immediate holding company during the period.

Financial position

As at 30 June 2016, upon the disposal of the information technology segment, the Group's total assets decreased by HK\$197.49 million to HK\$4,068.00 million and total liabilities decreased by HK\$183.59 million to HK\$1,982.99 million as compared with 31 December 2015. The Group's net assets decreased by HK\$13.91 million to HK\$2,085.02 million, of which equity attributable to members of the Company amounted to HK\$2,080.91 million as at 30 June 2016, increased by HK\$6.64 million as compared with 31 December 2015. The net asset value per share attributable to members of the Company was HK\$1.39 (31 December 2015: HK\$1.38).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL POSITION (continued)

Liquidity and financial resources

As at 30 June 2016, the cash and bank balances held by the Group amounted to HK\$1,931.59 million. During the six months ended 30 June 2016, net cash flows used in operating activities and investing activities amounted to HK\$53.35 million and HK\$49.08 million, respectively, and the net cash flows from financing activities amounted to HK\$5.90 million. As at 30 June 2016, the Company has convertible bonds subscribed by Idata with an aggregate principal amount of HK\$791 million at an initial conversion price of HK\$1.13 per share. The convertible bonds are unsecured, interest-free and will be matured in February 2018.

During the period under review, the Company has further advanced RMB850 million (equivalent to approximately HK\$988.37 million) from a fellow subsidiary of the Company, 北京控股投資管理有限公司 (a wholly-owned subsidiary of BEHL) for the partial settlement of licensed operation fee of the Haidian Project. The advance is unsecured, interest-free and has no fixed term of repayment.

As at 30 June 2016, the Group had no charge on its assets, did not have any bank borrowings, nor did it hold any financial derivatives. As at 30 June 2016, the Group had a net current assets of HK\$879.81 million and its current ratio increased from 1.72 times to 1.78 times and its total liabilities to assets ratio decreased from 50.8% to 48.7%.

The Group adopts a prudent approach in cash and financial management to ensure proper risk control and low costs of funds. The Group finances its daily operations of the existing business primarily with internally generated cash flow. When the Group comes across with acquisition or investment opportunities, the Group will first utilise the internal funding and arrange for project finance from financial institutions. Depending on its investment needs, the Group may also consider raising fund from the shareholders and potential investors of the Company in compliance with relevant statutory requirements.

Foreign exchange risks

The Group's cash and bank balances were denominated as to 68% in Hong Kong dollars, 21% in Renminbi and 11% in United States dollars. 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, the Group will be subject to translational foreign exchange risk. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss (recorded a gain of HK\$11.48 million for the six months ended 30 June 2016) and the gains or losses arising on retranslation of foreign operations are recognised in the exchange fluctuation reserve (incurred a loss of HK\$62.10 million for the six months ended 30 June 2016). During the six months ended 30 June 2016, the Group did not enter into any foreign currencies hedging arrangements.

Capital expenditure and commitment and contingent liabilities

During the six month ended 30 June 2016, the total capital expenditure of the Group amounted to HK\$48.55 million. As at 30 June 2016, the Group had capital commitment amounted to HK\$213.22 million. Saved as disclosed above, the Group did not have any material capital commitment and contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES AND REMUNERATION POLICY

In line with the business expansion and future development, the Group has broadening its technical team and the number of staff employed (excluded the disposed information technology segment) has been increased from 282 as at last year end to 370 as at 30 June 2016. The total expenses on employee benefits (excluded the disposed information technology segment) for the six months ended 30 June 2016 amounted to HK\$27.79 million, increased by 71.8% as compared with corresponding period last year.

The Group's employee remuneration policy and package are periodically reviewed by the management based on the employees' work performance, professional experiences and prevailing market practices. Discretionary bonuses are awarded to certain employees according to the assessment of individual performance, ensuring all staff are reasonably remunerated.

The Company operates a share option scheme for the Group's employees and directors. During the six months ended 30 June 2016, 1,000,000 share options were exercised at an exercise price of HK\$1.25 per share. No share option was granted, forfeited or lapsed during the period. As at 30 June 2016, the Company had 38,520,000 share options outstanding, 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 2016.

APPRECIATION

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

By order of the Board

E Meng
Chairman

Hong Kong
31 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		For the six months ended 30 June	
	Notes	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
CONTINUING OPERATIONS			
REVENUE	4	160,923	78,819
Cost of sales		(119,706)	(53,625)
Gross profit		41,217	25,194
Other income and gains, net	4	21,913	7,521
Selling and distribution expenses		(1,592)	–
Administrative expenses		(30,972)	(16,097)
Other operating expenses, net		(31)	(32)
PROFIT FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS	5	30,535	16,586
Finance costs	6	(1,734)	(5,621)
Share of loss of a joint venture		(35)	–
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		28,766	10,965
Income tax	7	(8,408)	(818)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		20,358	10,147
DISCONTINUED OPERATION			
Profit/(loss) for the period from a discontinued operation	8(a)	65,740	(19,219)
PROFIT/(LOSS) FOR THE PERIOD		86,098	(9,072)
ATTRIBUTABLE TO:			
Members of the Company			
Continuing operations		21,617	10,259
Discontinued operation		70,179	(13,568)
Non-controlling interests		91,796	(3,309)
		(5,698)	(5,763)
		86,098	(9,072)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY			
– Basic (HK cents)	10		
For profit/(loss) for the period		6.12	(0.22)
For profit for the period from continuing operations		1.44	0.69
– Diluted (HK cents)			
For profit/(loss) for the period		4.24	N/A
For profit for the period from continuing operations		1.06	0.68

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	86,098	(9,072)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
– Translation of foreign operations	(62,104)	(2,000)
– Release upon disposal of a subsidiary	(37,289)	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(99,393)	(2,000)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(13,295)	(11,072)
ATTRIBUTABLE TO:		
Members of the Company	(6,669)	(5,309)
Non-controlling interests	(6,626)	(5,763)
	(13,295)	(11,072)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment		249,167	218,829
Investment properties		90,326	93,592
Prepaid land lease payments		23,241	24,359
Goodwill		160,161	160,161
Operating concessions		722,658	711,820
Other intangible assets		90,205	95,211
Investment in a joint venture		5,859	5,894
Receivables under service concession arrangement	11	714,007	690,395
Prepayments	13	3,379	2,278
Deferred tax assets		1,573	2,629
Total non-current assets		2,060,576	2,005,168
Current assets:			
Inventories		2,873	3,913
Receivables under service concession arrangement	11	6,218	6,443
Trade and bills receivables	12	34,558	28,890
Prepayments, deposits and other receivables	13	32,194	16,522
Cash and cash equivalents		1,931,586	1,862,369
		2,007,429	1,918,137
Assets of a disposal group classified as held for sale	8(b)	–	342,193
Total current assets		2,007,429	2,260,330
TOTAL ASSETS		4,068,005	4,265,498

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
EQUITY AND LIABILITIES			
Equity attributable to members of the Company			
Share capital	14	2,227,564	2,225,723
Equity component of convertible bonds	15	11,658	11,658
Other reserves		(158,314)	(163,113)
		2,080,908	2,074,268
Non-controlling interests		4,111	24,657
TOTAL EQUITY		2,085,019	2,098,925
Non-current liabilities:			
Convertible bonds	15	785,119	783,385
Deferred tax liabilities		70,246	67,671
Total non-current liabilities		855,365	851,056
Current liabilities:			
Trade payables	16	64,911	1,010,695
Other payables and accruals	17	1,044,033	58,296
Tax payables		18,677	17,299
		1,127,621	1,086,290
Liabilities directly associated with assets classified as held for sale	8(b)	–	229,227
Total current liabilities		1,127,621	1,315,517
TOTAL LIABILITIES		1,982,986	2,166,573
TOTAL EQUITY AND LIABILITIES		4,068,005	4,265,498

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to members of the Company									
	Equity component of							Total	Non-controlling interests	Total equity
	Share capital	convertible bonds	Share option reserve	Capital reserve	Exchange fluctuation reserve	PRC reserve funds	Accumulated losses			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
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 a subsidiary (note 8(e))	-	-	-	-	(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 (note 15)	-	-	-	12,059	-	-	-	12,059	-	12,059
Capital contribution from a non-controlling interest	-	-	-	-	-	-	-	-	4,651	4,651
Disposal of a subsidiary (note 8)	-	-	-	-	-	(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
At 1 January 2015	2,219,647	11,658	23,743	121	76,930	38,272	(316,702)	2,053,669	7,223	2,060,892
Loss for the period	-	-	-	-	-	-	(3,309)	(3,309)	(5,763)	(9,072)
Other comprehensive loss for the period:										
Exchange fluctuation reserve:										
Translation of foreign operations	-	-	-	-	(2,000)	-	-	(2,000)	-	(2,000)
Total comprehensive loss for the period	-	-	-	-	(2,000)	-	(3,309)	(5,309)	(5,763)	(11,072)
Issue of shares upon exercise of share options	6,076	-	(1,951)	-	-	-	-	4,125	-	4,125
Transfer to PRC reserve funds	-	-	-	-	-	67	(67)	-	-	-
Acquisition of a non-controlling interest	-	-	-	-	-	-	-	-	(248)	(248)
Capital contribution from a non-controlling interest	-	-	-	-	-	-	-	-	1,354	1,354
Transfer between reserves	-	-	-	(121)	(7)	-	128	-	-	-
At 30 June 2015	2,225,723	11,658	21,792	-	74,923	38,339	(319,950)	2,052,485	2,566	2,055,051

* These reserve accounts comprise the consolidated negative other reserves of HK\$158,314,000 (31 December 2015: negative other reserves of HK\$163,113,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash used in operations	(52,924)	(40,828)
PRC corporate income tax paid	(427)	(1,799)
Net cash flows used in operating activities	(53,351)	(42,627)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(43,748)	(1,561)
Addition of operating concessions	(4,632)	–
Disposal of a subsidiary (note 8(e))	17,831	–
Increase in time deposits with maturity of more than three months when acquired	(10,335)	(33,685)
Increase in pledged deposits	(11,922)	(8,759)
Interest received	3,923	6,266
Other cash flows from investing activities, net	(201)	497
Net cash flows used in investing activities	(49,084)	(37,242)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares upon exercise of share options	1,250	4,125
Capital contribution by a non-controlling interest	4,651	1,354
Net cash flows from financing activities	5,901	5,479
NET DECREASE IN CASH AND CASH EQUIVALENTS	(96,534)	(74,390)
Cash and cash equivalents at beginning of period	1,944,424	1,747,239
Effect of foreign exchange rate changes, net	(35,025)	(2,000)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,812,865	1,670,849
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits		
Placed in banks	613,609	476,232
Placed in a financial institution	54	–
Time deposits		
Placed in banks	1,317,923	1,097,788
Placed in a financial institution	–	150,000
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	1,931,586	1,724,020
Less: Time deposits with maturity of more than three months when acquired	(118,721)	(105,024)
Add: Cash and bank balances attributable to disposal groups	–	51,853
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	1,812,865	1,670,849

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. CORPORATE INFORMATION

Beijing Enterprises Environment Group Limited (formerly known as Beijing Development (Hong Kong) 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 2016, the Company and its subsidiaries (collectively referred to as the “Group”) were principally involved in (a) 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; and (b) the information technology (“IT”) business which comprises the provision of IT related services, which included system integration, the construction of information networks and sale of related equipment, the provision of IT technical support and consultation services and the development and sale of software (disposed of during the period and classified as a discontinued operation, note 8).

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 18 July 2016 and approved by the Registrar of Companies of Hong Kong on 22 July 2016, the English name of the Company was changed from “Beijing Development (Hong Kong) Limited” to “Beijing Enterprises Environment Group Limited” and the Chinese name of the Company was changed from “北京發展（香港）有限公司” to “北京控股環境集團有限公司”.

At 30 June 2016, 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 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange, 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 these interim condensed consolidated financial statements are consistent with those used in the Group’s annual consolidated financial statements for the year ended 31 December 2015, 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 new and revised HKFRSs as disclosed in note 2.2 below.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

2.1 BASIS OF PREPARATION (continued)

The financial information relating to the year ended 31 December 2015 that is included in the 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 2015 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 2015. 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.

These 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 condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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 IT segment comprises the sale of IT related products, the provision of system integration and maintenance services and software development (disposed of during the period and classified as a discontinued operation, note 8).
- (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 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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 2016 and 2015.

	Continuing operations			Discontinued operation	
	Solid waste treatment (Unaudited)	Corporate and others (Unaudited)	Total (Unaudited)	IT (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 profits and 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
For the six months ended 30 June 2015					
Segment revenue	78,819	–	78,819	45,140	123,959
Cost of sales	(53,625)	–	(53,625)	(36,412)	(90,037)
Gross profit	25,194	–	25,194	8,728	33,922
Profit/(loss) from operating activities	20,297	(3,711)	16,586	(17,836)	(1,250)
Finance costs	–	(5,621)	(5,621)	(481)	(6,102)
Share of profits and losses of:					
Joint ventures	–	–	–	(945)	(945)
Associates	–	–	–	43	43
Profit/(loss) before tax	20,297	(9,332)	10,965	(19,219)	(8,254)
Income tax	(818)	–	(818)	–	(818)
Profit/(loss) for the period	19,479	(9,332)	10,147	(19,219)	(9,072)
Segment profit/(loss) attributable to members of the Company	19,515	(9,256)	10,259	(13,568)	(3,309)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

3. OPERATING SEGMENT INFORMATION (continued)

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Total assets		
Continuing operations:		
Solid waste treatment	2,581,526	2,544,792
Corporate and others	1,486,479	1,378,513
	4,068,005	3,923,305
Discontinued operation:		
IT	–	342,193
	4,068,005	4,265,498
Total liabilities		
Continuing operations:		
Solid waste treatment	1,144,901	1,120,613
Corporate and others	838,085	816,733
	1,982,986	1,937,346
Discontinued operation:		
IT	–	229,227
	1,982,986	2,166,573

During the six months ended 30 June 2016, the Group acquired property, plant and equipment from continuing operations with a total cost of HK\$45,787,000 (six months ended 30 June 2015: HK\$974,000).

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

3. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

During the six months ended 30 June 2016, the Group had transactions with three external customers (six months ended 30 June 2015: four) which individually 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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Customer A	88,492 [#]	N/A
Customer B	28,016	37,483
Customer C	21,849	18,518
Customer D	*	10,680
Customer E	*	8,510

[#] The amount represented the deemed construction revenue from the provision of construction services to a government authority recognised according to HK(IFRIC) – 12 *Service Concession Arrangements*.

* Less than 10% of the Group's total revenue from continuing operations.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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 solid 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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue		
Solid waste treatment	22,118	21,419
Sale of electricity	49,438	56,388
Sale of steam	875	1,012
Construction services*	88,492	–
	160,923	78,819
Other income		
Bank interest income	3,923	5,805
Value added tax refund	4,699	–
Rental income	1,507	–
Others	304	91
	10,433	5,896
Gains, net		
Foreign exchange differences, net	11,480	–
Gain on disposal of an item of other intangible assets	–	1,625
	11,480	1,625
Other income and gains, net	21,913	7,521

* Imputed interest income under service concession arrangement during the six months ended 30 June 2016 amounting to HK\$14,269,000 (six months ended 30 June 2015: Nil) was included in the revenue derived from construction services.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Depreciation	7,370	6,870
Amortisation of prepaid land lease payments*	271	286
Amortisation of operating concessions*	8,781	8,473
Amortisation of other intangible assets*	1,875	3,396

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

6. FINANCE COSTS

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

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on convertible bonds	–	3,923
Imputed interest on convertible bonds (note 15)	1,734	1,698
	1,734	5,621

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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 2016 (six months ended 30 June 2015: 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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Mainland China:		
Current	2,440	2,142
Deferred	5,968	(1,324)
Total tax charge for the period	8,408	818

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

8. DISCONTINUED OPERATION

The Group plans to focus its resources on its solid waste treatment business and had decided to cease its IT business in prior years. The Group's business in IT segment was mainly undertaken by the subsidiaries of B E Information Technology Group Limited ("BEITG"), an indirectly-owned subsidiary of the Company.

On 23 December 2014, Prime Technology Group Limited ("PTG"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with a fellow subsidiary of the Company, Beijing Enterprises Group Information Limited ("BEGIL", a wholly-owned subsidiary of BEGCL), pursuant to which PTG conditionally agreed to dispose of its 72% equity interest in BEITG and the shareholders' loans owed by BEITG and its subsidiaries (collectively, the "BEITG Group") to the Company for a total cash consideration of HK\$126,000,000 (the "Disposal"). The Disposal was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 19 May 2015 and was completed in March 2016 upon the settlement of the consideration. Further details of the Disposal are set out in the circular of the Company dated 23 April 2015.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

8. DISCONTINUED OPERATION (continued)

The BEITG Group was classified as a disposal group held for sale as at 31 December 2015 and the IT segment was classified as a discontinued operation for the six months ended 30 June 2016 and 2015.

- (a) The results of a discontinued operation dealt with in the interim condensed consolidated financial statements for the six months ended 30 June 2016 and 2015 are summarised as follows:

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	14,747	45,140
Other income and gains, net	225	1,866
Cost of sales and operating expenses	(28,998)	(65,323)
	(14,026)	(18,317)
Share of profits and losses of		
A joint venture	(1,204)	(945)
Associates	–	43
Loss before tax	(15,230)	(19,219)
Income tax	–	–
Loss for the period	(15,230)	(19,219)
Gain on disposal of a discontinued operation, net of income tax of nil (note 8(e))	80,970	–
Profit/(loss) for the period from a discontinued operation	65,740	(19,219)
Attributable to:		
Members of the Company	70,179	(13,568)
Non-controlling interests	(4,439)	(5,651)
	65,740	(19,219)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

8. DISCONTINUED OPERATION (continued)

- (b) The major classes of assets and liabilities of the disposal group classified as held for sale as at the end of reporting periods are as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Assets		
Property and equipment	–	5,688
Other intangible assets	–	1,120
Investment in a joint venture	–	12,431
Investments in associates	–	2,887
Inventories	–	7,947
Amounts due from contract customers	–	833
Trade receivables	–	64,907
Prepayments, deposits and other receivables	–	51,801
Pledged deposits	–	220
Cash and cash equivalents	–	194,359
Assets of a disposal group classified as held for sale	–	342,193
Liabilities		
Trade and bills payables	–	99,206
Amounts due to contract customers	–	319
Interest-bearing bank borrowings	–	6,024
Other payables and accruals	–	123,678
Liabilities directly associated with assets classified as held for sale	–	229,227
Net assets directly associated with a disposal group classified as held for sale	–	112,966

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

8. DISCONTINUED OPERATION (continued)

- (c) The net cashflows of a discontinued operation dealt with in the interim condensed consolidated financial statements for the six months ended 30 June 2016 and 2015 are as follows:

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Operating activities	(86,610)	(64,965)
Investing activities	(337)	(534)
Net cash outflow attributable to a discontinued operation	(86,947)	(65,499)

- (d) Earnings/(loss) per share from a discontinued operation

	For the six months ended 30 June	
	2016 (Unaudited) HK cents	2015 (Unaudited) HK cents
Basic	4.68	(0.91)
Diluted	3.18	N/A

The calculation of the basic earnings/(loss) per share amounts from a discontinued operation is based on the profit for the period from a discontinued operation attributable to members of the Company of HK\$70,179,000 (six months ended 30 June 2015: loss of HK\$13,568,000), and the weighted average number of 1,500,321,688 (six months ended 30 June 2015: 1,496,663,465) ordinary shares in issue during the period (note 10).

The calculation of the diluted earnings per share amount for the six months ended 30 June 2016 is based on the profit for the period from a discontinued operation attributable to members of the Company and adjusted to reflect the effect of the exercise of all dilutive share options and the deemed conversion of convertible bonds at the beginning of the period.

No adjustment had been made to the basic loss per share amount from a discontinued operation presented for the six months ended 30 June 2015 in respect of a dilution as the impact of the share options and convertible bonds outstanding during that period had an anti-dilutive effect on the basic loss per share amount from a discontinued operation presented.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

8. DISCONTINUED OPERATION (continued)

(e) Disposal of a subsidiary

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (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)	–
	81,562	–
Exchange fluctuation reserve realised	(37,289)	–
Transaction costs	757	–
Gain on disposal of a subsidiary, included in a discontinued operation (note 8(a))	80,970	–
	126,000	–
Satisfied by cash	126,000	–

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

8. DISCONTINUED OPERATION (continued)

(e) Disposal of a subsidiary (continued)

An analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Cash consideration	126,000	–
Cash and cash equivalents disposed of	(107,412)	–
Transaction costs paid	(757)	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	17,831	–

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

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

The calculations of basic earnings/(loss) per share amounts are based on the profit/(loss) for the period attributable to members of the Company and 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 calculation of the diluted earnings per share amount for the six months ended 30 June 2016 is 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, adjusted to reflect the effect of the exercise of all dilutive share options and the deemed conversion of convertible bonds at the beginning of the period.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2015 is based on the profit from continuing operations attributable to members of the Company and the weighted average number of ordinary shares, adjusted to reflect the effect of the deemed exercise of all dilutive share options at the beginning of the period. No adjustment has been made to the deemed conversion of convertible bonds as the impact of the convertible bonds outstanding during that period had an anti-dilutive effect on the basic loss per share amount presented.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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

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

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
For profit/(loss) for the period:		
Profit/(loss) for the period attributable to members of the Company, used in the basic earnings/(loss) per share calculations	91,796	(3,309)
Interest on convertible bonds	1,734	–
<hr/>		
Profit/(loss) for the period attributable to members of the Company, used in the diluted earnings/(loss) per share calculations	93,530	(3,309)
<hr/>		
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	21,617	10,259
Interest on convertible bonds	1,734	–
<hr/>		
Profit for the period from continuing operations attributable to members of the Company, used in the diluted earnings per share calculations	23,351	10,259

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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

	For the six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings/(loss) per share calculations	1,500,321,688	1,496,663,465
Effect of dilution – weighted average number of ordinary shares		
Share options	8,175,884	19,618,552
Convertible bonds	700,000,000	–
Weighted average number of ordinary shares, used in the diluted earnings per share calculations	2,208,497,572	1,516,282,017

11. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT

In respect of the Group's receivables under service concession arrangement, aged analysis of receivables under service concession arrangement are closely monitored in order to minimise any credit risk associated with the receivables.

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Unbilled:		
Current portion	6,218	6,443
Non-current portion	714,007	690,395
	720,225	696,838

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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 six 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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within 3 months	28,536	23,728
4 to 6 months	6,022	90
7 to 12 months	–	123
1 to 2 years	–	3,771
2 to 3 years	–	1,178
	34,558	28,890

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Prepayments	4,271	5,908
Deposits and other receivables	17,730	16,474
Due from the immediate holding company	12,059	–
Due from fellow subsidiaries	5,516	566
Due from non-controlling interests	1,858	1,925
	41,434	24,873
Impairment	(5,861)	(6,073)
	35,573	18,800
Portion classified as current assets	(32,194)	(16,522)
	3,379	2,278

The balances with the immediate holding company, fellow subsidiaries and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

14. SHARE CAPITAL

Shares

A summary of the movements in the Company's share capital during the six months ended 30 June 2016 is as follows:

	Number of ordinary shares in issue	Share capital (Unaudited) HK\$'000
At 1 January 2016	1,499,360,150	2,225,723
Issue of shares upon exercise of share options*	1,000,000	1,841
At 30 June 2016	1,500,360,150	2,227,564

* On 8 January 2016, 1,000,000 ordinary shares were issued upon the exercise of the subscription rights attaching to 1,000,000 share options at the subscription price of HK\$1.25 per share by a participant of the Company's share option scheme (the "Scheme").

Share options

Details of the Scheme and the share options issued under the Scheme are set out under the heading "Share Option Scheme" in the section of "Discloseable Information" on pages 42 and 43.

15. CONVERTIBLE BONDS

Pursuant to the conditional 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, the Company issued convertible bonds to Idata, which have an initial conversion price of HK\$1.13 per ordinary share of the Company, originally bear interest at the rate of 1% per annum and will mature on 28 February 2018.

On 31 March 2016, Idata has agreed to unilaterally waive (i) the payment of paid interests accrued on the convertible bonds amounting to HK\$12,059,000 and refund such interests in full to the Company; and (ii) all interests payable under the outstanding convertible bonds to be incurred up to their maturity date. Such modification of terms did not result in the extinguishment of the financial liability of the convertible bonds and such refund was recognised in the capital reserve account as deemed contribution from the immediate holding company during the period.

A summary of the movements in the principal amount, liability and equity components of the Company's convertible bonds during the six months ended 30 June 2016 is as follows:

	(Unaudited) HK\$'000
Principal amount outstanding	
At 1 January 2016 and 30 June 2016	791,000
Liability component	
At 1 January 2016	783,385
Imputed interest expenses (note 6)	1,734
At 30 June 2016	785,119
Equity component	
At 1 January 2016 and 30 June 2016	11,658

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

16. 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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Billed:		
Less than 3 months	25,397	6,638
4 to 6 months	–	109
7 to 12 months	1,168	171
Over 1 year	2,611	765
	29,176	7,683
Unbilled	35,735	1,003,012
	64,911	1,010,695
Comprising amounts payable to:		
Third parties	62,606	1,010,695
A joint venture	2,305	–
	64,911	1,010,695

The balance with a joint venture has credit term similar to those offered in the market.

17. OTHER PAYABLES AND ACCRUALS

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Receipts in advance	2,021	–
Other payables	29,753	34,083
Accruals	10,296	8,661
Due to the immediate holding company	–	121
Due to fellow subsidiaries	1,001,963	8,739
Due to a joint venture	–	6,692
	1,044,033	58,296

The balances with the immediate holding company, fellow subsidiaries and a joint venture are unsecured, interest-free and have no fixed terms of repayment.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

19. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had capital commitments as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Contracted, but not provided for:		
Service concession arrangement	53,779	111,446
Plant and machinery	159,441	–
	213,220	111,446

20. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in these 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	
			2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
With fellow subsidiaries:				
北京北控宏創科技有限公司	Rental income received [#]	(i)	1,507	–
	Property service fee paid [@]	(ii)	–	852
北京市政交通一卡通有限公司	Purchases of goods [@]	(iii)	–	1,318
Beijing Enterprises (Properties) Limited	Rental expense paid [@]	(iv)	–	120
With a joint venture:				
Beijing Enterprises SITA Environmental Services Company Limited	Consultancy service fee paid	(v)	3,981	–
With a non-controlling interest:				
北京教育網絡和信息中心	Service income received	(vi)	1,140	2,354
	Sales of products	(vi)	–	6,204

[#] 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.

[@] These transactions constituted continuing connected transactions that were exempted from the reporting, announcement and independent shareholders' approval requirements as defined in Chapter 14A of the Listing Rules.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

20. 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 (the "Hong Chuang Building") 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 property service fee payable to 北京北控宏創科技有限公司 in respect of the Hong Chuang Building was determined in accordance with the property services contract entered into between the parties.
- (iii) The purchase prices of goods from 北京市政交通一卡通有限公司 were based on terms and conditions mutually agreed between the parties.
- (iv) The rental expense payable to Beijing Enterprises (Properties) Limited was determined by reference to the prevailing market rentals.
- (v) The consultancy service fee payable to Beijing Enterprises SITA Environmental Services Company Limited was determined in accordance with the service contract entered into between the parties.
- (vi) The service income received from and sales of products to 北京教育網絡和信息中心 were based on terms and conditions mutually agreed between the parties.

(b) Outstanding balances with related parties

- (i) Details of the Group's other receivables due from the immediate holding company, fellow subsidiaries and non-controlling interests as at the end of the reporting period are disclosed in note 13 to the interim condensed consolidated financial statements, respectively.
- (ii) At 30 June 2016, HK\$54,000 (31 December 2015: HK\$54,000) was placed in 北京控股集團財務有限公司 (a subsidiary of BEGCL), which is an authorised financial institution under China Banking Regulatory Commission, by the Company.
- (iii) Details of the Group's trade payable due to a joint venture as at the end of the reporting period are disclosed in note 16 to the interim condensed consolidated financial statements.
- (iv) Details of the Group's other payables due to the immediate holding company, fellow subsidiaries and a joint venture as at the end of the reporting period are disclosed in note 17 to the interim condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

20. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short term employee benefits	4,288	2,319
Post-employment benefits	343	217
Total compensation paid to key management personnel	4,631	2,536

(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.

21. EVENTS AFTER THE REPORTING PERIOD

On 31 March 2016, the Company entered into a sale and purchase agreement with BEHL, pursuant to which the Company has conditionally agreed to acquire and BEHL has conditionally agreed to sell (i) the entire issued share capital of Golden State Waste Management Corporation; (ii) 80% equity interest in 哈爾濱市雙琦環保資源利用有限公司; (iii) 100% equity interest in 北控環境再生能源瀋陽有限公司; (iv) 100% equity interest in 北控環境(文昌)再生能源有限公司; and (v) 65% equity interest in 湖南衡興環保科技開發有限公司 (the "Target Companies") at an aggregate consideration of RMB1,850,000,000 (equivalent to HK\$2,202,300,000), which will be satisfied by the issue of new convertible bonds with initial conversion price of HK\$1.13 per share (the "Acquisition"). The principal activities of the Target Companies and their subsidiaries are the investment in, and operation of five household waste incineration projects and one hazardous waste and medical waste treatment project. The Acquisition was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 18 July 2016. At the date of approving these condensed consolidated financial statements, the completion of the Acquisition is still subject to the fulfilment of certain conditions precedent. Further details of the Acquisition are set out in the circular of the Company dated 24 June 2016.

22. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 30 June 2016 amounted to HK\$879,808,000 (31 December 2015: HK\$944,813,000) and HK\$2,940,384,000 (31 December 2015: HK\$2,949,981,000), respectively.

DISCLOSEABLE INFORMATION

DIRECTORS

The directors of the Company during the six months ended 30 June 2016 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

Subsequent to the issuing date of the Company's 2015 annual report, there have been no changes in directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

At 30 June 2016, 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 notes 8, 20 and 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 transactions, arrangements 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 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2016 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:

Mr. E Meng is an executive director and executive vice president of BEHL and Mr. Ke Jian is a vice president 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 it and BEHL in view of the following factors:

- (i) clear geographical delineation among solid waste treatment projects;
- (ii) no competition in relation to the supply of household waste and sale of electricity;
- (iii) independent management team; and
- (iv) 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.

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

At 30 June 2016, 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		Total	Percentage of the Company's total number of issued shares
	Directly beneficially owned	Through a controlled corporation		
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

Long positions in share options in an associated corporation – Beijing Properties (Holdings) Limited:

Name of director	Number of share options directly beneficially owned		
	Batch 1	Batch 2	Total
Mr. E Meng	5,000,000	3,600,000	8,600,000

Notes:

Batch 1 These share options were granted on 28 October 2011 at an exercise price of HK\$0.465 per share. These share options may be exercised at any time commencing on 28 October 2011, and if not otherwise exercised, will lapse on 27 October 2021.

Batch 2 These share options were granted on 1 June 2012 at an exercise price of HK\$0.41 per share. These share options may be exercised at any time commencing on 1 June 2012, and if not otherwise exercised, will lapse on 31 May 2022.

Save as disclosed above, as at 30 June 2016, 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 the Scheme which became effective on 31 May 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. 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 maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% 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.

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 on the date of acceptance of the share options or after 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 highest 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.

DISCLOSEABLE INFORMATION (CONTINUED)

SHARE OPTION SCHEME (continued)

The following table sets out the movements in the Company's share options granted under the Scheme during the six months ended 30 June 2016:

Name or category of participant	Number of share options		
	At 1 January 2016	Exercised during the period	At 30 June 2016
Executive directors:			
Mr. E Meng	6,770,000	—	6,770,000
Mr. Ng Kong Fat, Brian	5,500,000	—	5,500,000
Independent non-executive directors:			
Dr. Jin Lizuo	670,000	—	670,000
Dr. Huan Guocang	670,000	—	670,000
Dr. Wang Jianping	670,000	—	670,000
Other non-director participants:			
In aggregate	25,240,000	(1,000,000)	24,240,000
	39,520,000	(1,000,000)	38,520,000

The outstanding share options were granted on 21 June 2011 at an exercise price of HK\$1.25 (subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital) per ordinary share of the Company. The share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021.

No share option was granted, forfeited and lapsed during the six months ended 30 June 2016. 1,000,000 share options were exercised by a non-director participant of the Scheme during the six months ended 30 June 2016, resulting in issue of 1,000,000 ordinary shares for a total cash consideration of HK\$1,250,000.

As at 30 June 2016, the Company had 38,520,000 share options outstanding under the Scheme. Should they be fully exercised, the Company will receive HK\$48,150,000 (before issue expenses). The fair value of these unexercised options measured in accordance with the Group's accounting policy amounted to HK\$21,201,000.

Save as disclosed above, at no time during the six months ended 30 June 2016 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 notes 8, 20 and 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 2016.

DISCLOSEABLE INFORMATION (CONTINUED)

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

At 30 June 2016, the following interests and short positions of 5% or more of the total number of shares comprised in the 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 total number of issued shares
		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:

- 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.
- 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.
- 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 2016, no person, other than the directors of the Company, 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 2016.

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 2016.

- (a) Under the 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.
- (b) Under the 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.
- (c) Under the 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.
- (d) Under the 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 2016 annual general meeting of the Company held during the six months ended 30 June 2016 due to other business engagements.
- (e) Under the 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 Board and the chairmen of the Board committees were unable to attend the 2016 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 to the Listing Rules for securities transactions by the directors of the Company. All directors of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

CORPORATE GOVERNANCE (CONTINUED)

BOARD COMMITTEES

Audit Committee

The Audit Committee was established with written terms of reference in accordance with Rule 3.21 of the Listing Rules and the 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 position, internal control, impacts of the new accounting standards and management issues of the Group for the six months ended 30 June 2016.

Remuneration Committee

The Remuneration Committee was established with terms of reference in accordance with Rule 3.25 of the Listing Rules and the Code Provision B.1. The current members of the Remuneration Committee comprise three independent non-executive directors, namely Dr. Jin Lizuo (committee chairman), Dr. Huan Guocang and Dr. Wang Jianping and the chairman of the Board, Mr. E Meng.

Nomination Committee

The Nomination Committee was established with terms of reference in accordance with the Code Provision A.5. The current members of the Nomination Committee comprise the chairman of the Board, Mr. E Meng (committee chairman), and three independent non-executive directors, namely Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping.

Detailed terms of reference of the above Board Committees may be reference to the websites of the Company and the Stock Exchange.

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for reviewing its 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 2016, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.