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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 154)

**ANNOUNCEMENT OF SUMMARISED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

HIGHLIGHTS

- The Group's revenue for the six months ended 30 June 2023 amounted to HK\$1,225 million, increased by approximately 5% as compared with HK\$1,165 million in the corresponding period of last year.
- EBITDA for the period amounted to HK\$407 million, increased by approximately 12% as compared with HK\$365 million in the corresponding period of last year.
- Profit for the period attributable to shareholders of the Company amounted to HK\$150 million, increased by approximately 8% as compared with HK\$139 million in the corresponding period of last year.
- Basic earnings per share amounted to HK10 cents.
- Net assets per share attributable to shareholders of the Company as at 30 June 2023 amounted to HK\$2.50.
- The Board does not recommend the payment of an interim dividend for the period.

The board (the “Board”) of directors (the “Directors”) of Beijing Enterprises Environment Group Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2023, together with comparative figures for the corresponding period in last year, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	<i>Notes</i>	For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	4	1,225,110	1,165,054
Cost of sales		(835,205)	(836,030)
Gross profit		389,905	329,024
Other income and gains, net	5	44,941	39,310
Selling expenses		(949)	(1,286)
Administrative expenses		(111,859)	(99,365)
Other operating expenses, net		(38,433)	(11,944)
PROFIT FROM OPERATING ACTIVITIES	6	283,605	255,739
Finance costs	7	(93,969)	(79,187)
PROFIT BEFORE TAX		189,636	176,552
Income tax	8	(32,248)	(35,108)
PROFIT FOR THE PERIOD		157,388	141,444
ATTRIBUTABLE TO:			
Shareholders of the Company		149,541	138,827
Non-controlling interests		7,847	2,617
		157,388	141,444
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
– Basic (<i>HK cents</i>)		9.97	9.25
– Diluted (<i>HK cents</i>)		9.97	9.25

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE PERIOD	<u>157,388</u>	<u>141,444</u>
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	<u>(158,237)</u>	<u>(186,880)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(849)</u></u>	<u><u>(45,436)</u></u>
ATTRIBUTABLE TO:		
Shareholders of the Company	7,535	(33,138)
Non-controlling interests	<u>(8,384)</u>	<u>(12,298)</u>
	<u><u>(849)</u></u>	<u><u>(45,436)</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		30 June 2023	31 December 2022
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	<i>10</i>	606,979	1,002,311
Right-of-use assets		63,310	73,872
Goodwill		1,122,551	1,122,551
Operating concessions		3,505,471	3,126,853
Other intangible assets		39,760	42,616
Investment in a joint venture		6,652	6,652
Receivables under service concession arrangements	<i>11</i>	2,568,318	2,620,114
Prepayments, deposits and other receivables		1,477	441
Deferred tax assets		109,153	57,631
		<hr/>	<hr/>
Total non-current assets		8,023,671	8,053,041
Current assets:			
Contract assets		386,329	310,616
Inventories		47,386	47,824
Receivables under service concession arrangements	<i>11</i>	88,919	89,122
Trade and bills receivables	<i>12</i>	811,318	660,683
Prepayments, other receivables and other assets		366,001	308,057
Pledged deposits		3	548
Cash and cash equivalents		1,958,891	2,697,335
		<hr/>	<hr/>
Total current assets		3,658,847	4,114,185
		<hr/>	<hr/>
TOTAL ASSETS		11,682,518	12,167,226
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2023

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
<i>Note</i>	HK\$'000	HK\$'000
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the Company		
Share capital	2,227,564	2,227,564
Reserves	1,528,891	1,521,356
	3,756,455	3,748,920
Non-controlling interests	352,492	360,876
TOTAL EQUITY	4,108,947	4,109,796
Non-current liabilities:		
Bank and other borrowings	5,465,713	6,081,504
Provision for major overhauls	12,601	12,211
Other payables	22,808	28,349
Deferred income	172,774	174,432
Deferred tax liabilities	283,993	232,462
Total non-current liabilities	5,957,889	6,528,958
Current liabilities:		
Trade payables	937,505	739,337
Other payables and accruals	365,720	414,839
Bank and other borrowings	255,500	281,245
Tax payables	56,957	93,051
Total current liabilities	1,615,682	1,528,472
TOTAL LIABILITIES	7,573,571	8,057,430
TOTAL EQUITY AND LIABILITIES	11,682,518	12,167,226

NOTES:

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

The financial information relating to the year ended 31 December 2022 that is included in this unaudited interim condensed consolidated financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to those statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2022 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 2022. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; 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.

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information:

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

These new and revised HKFRSs did not have any significant impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

The following table presents the revenue and profit/(loss) information for the six months ended 30 June 2023 and 2022 and the total assets and total liabilities information as at 30 June 2023 and 31 December 2022 regarding the Group's operating segments.

Six months ended 30 June 2023/As at 30 June 2023

	Solid waste treatment (Unaudited) HK\$'000	Ecological construction services (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue (<i>note 4</i>)	1,074,393	150,717	–	1,225,110
Cost of sales	<u>(705,525)</u>	<u>(129,680)</u>	<u>–</u>	<u>(835,205)</u>
Gross profit	<u>368,868</u>	<u>21,037</u>	<u>–</u>	<u>389,905</u>
Profit/(loss) from operating activities	310,919	3,653	(30,967)	283,605
Finance costs	<u>(69,589)</u>	<u>(1,673)</u>	<u>(22,707)</u>	<u>(93,969)</u>
Profit/(loss) before tax	241,330	1,980	(53,674)	189,636
Income tax	<u>(32,139)</u>	<u>(108)</u>	<u>(1)</u>	<u>(32,248)</u>
Profit/(loss) for the period	<u>209,191</u>	<u>1,872</u>	<u>(53,675)</u>	<u>157,388</u>
Segment profit/(loss) attributable to shareholders of the Company	<u>201,981</u>	<u>1,237</u>	<u>(53,677)</u>	<u>149,541</u>
Segment assets	<u>10,930,921</u>	<u>497,691</u>	<u>253,906</u>	<u>11,682,518</u>
Segment liabilities	<u>4,329,874</u>	<u>452,422</u>	<u>2,791,275</u>	<u>7,573,571</u>

Six months ended 30 June 2022/As at 31 December 2022

	Solid waste treatment (Unaudited) <i>HK\$'000</i>	Ecological construction services (Unaudited) <i>HK\$'000</i>	Corporate and others (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue (<i>note 4</i>)	1,041,463	123,591	–	1,165,054
Cost of sales	<u>(716,916)</u>	<u>(119,114)</u>	<u>–</u>	<u>(836,030)</u>
Gross profit	<u>324,547</u>	<u>4,477</u>	<u>–</u>	<u>329,024</u>
Profit/(loss) from operating activities	294,554	(15,430)	(23,385)	255,739
Finance costs	<u>(55,573)</u>	<u>(909)</u>	<u>(22,705)</u>	<u>(79,187)</u>
Profit/(loss) before tax	238,981	(16,339)	(46,090)	176,552
Income tax	<u>(37,289)</u>	<u>2,194</u>	<u>(13)</u>	<u>(35,108)</u>
Profit/(loss) for the period	<u>201,692</u>	<u>(14,145)</u>	<u>(46,103)</u>	<u>141,444</u>
Segment profit/(loss) attributable to shareholders of the Company	<u>192,340</u>	<u>(7,174)</u>	<u>(46,339)</u>	<u>138,827</u>
Segment assets	<u>11,368,394</u>	<u>521,185</u>	<u>277,647</u>	<u>12,167,226</u>
Segment liabilities	<u>4,814,000</u>	<u>475,047</u>	<u>2,768,383</u>	<u>8,057,430</u>

During the six months ended 30 June 2023, the Group has addition of property, plant and equipment and operating concessions with a total cost of HK\$294,002,000 (six months ended 30 June 2022: HK\$160,470,000).

Geographical information

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

Information about a major customer

During the six months ended 30 June 2023, the revenue generated from sales to an external customer of the solid waste treatment segment, which accounted for 10% or more of the Group's total revenue, amounted to HK\$133,723,000 (six months ended 30 June 2022: HK\$124,722,000).

4. REVENUE

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

	For the six months	
	ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Household waste treatment service income*	151,932	165,142
Hazardous and medical waste treatment service income	10,829	15,566
Food waste, leachate, sludge and other treatments service income	79,412	54,809
Sales of electricity#	388,042	350,464
Sales of steam	6,052	11,473
Waste incineration plant construction and related service income*	424,831	297,349
Sale of equipment	13,295	146,660
Ecological construction and related service income	150,717	123,591
	<u>1,225,110</u>	<u>1,165,054</u>

* *Imputed interest income under service concession arrangements during the period amounting to HK\$61,684,000 (six months ended 30 June 2022: HK\$64,824,000) was included in the revenue derived from household waste treatment services and waste incineration plant construction and related services.*

Included in sales of electricity was a total amount of HK\$133,235,000 (six months ended 30 June 2022: HK\$100,164,000) which represents renewable energy tariff subsidies owed by the state-owned grid companies which are financed by national renewable energy fund to renewable energy projects in the PRC. Tariff subsidy is recognised as sales of electricity and receivables from state-owned grid companies in accordance with the relevant power purchase agreements.

5. OTHER INCOME AND GAINS, NET

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

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Value added tax refund	36,634	27,125
Interest income	4,536	1,649
Government grant*	1,577	1,068
Others	2,194	9,468
	<u>44,941</u>	<u>39,310</u>

* The government grants recognised by the Group during the period represented subsidies received from certain government authorities as incentives to promote energy saving technologies in the local provinces.

6. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	48,487	37,772
Depreciation of right-of-use assets	7,685	8,148
Amortisation of operating concessions*	66,361	62,335
Amortisation of other intangible assets*	1,021	1,046
Impairment loss of receivables under service concession arrangements (note 11)	23,225	–
Foreign exchange differences, net	9,343	10,559
	<u>9,343</u>	<u>10,559</u>

* The amortisation of operating concessions and other intangible assets are included in "Cost of sales" in the condensed consolidated statement of profit or loss, except for the amortisation of computer software of HK\$203,000 (six months ended 30 June 2022: HK\$178,000) which is included in "Administrative expenses".

7. FINANCE COSTS

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

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest on bank and other borrowings	92,938	87,651
Interest on lease liabilities	<u>811</u>	<u>1,232</u>
Total interest expenses	93,749	88,883
Less: Interest capitalised	<u>(105)</u>	<u>(10,026)</u>
	93,644	78,857
Other finance costs:		
Increase in discounted amounts of provision for major overhauls arising from the passage of time	<u>325</u>	<u>330</u>
	<u>93,969</u>	<u>79,187</u>

8. INCOME TAX

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

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current – Mainland China		
Charge for the period	33,039	44,905
Overprovision in prior periods	<u>(6,758)</u>	<u>(6,703)</u>
	26,281	38,202
Deferred	<u>5,967</u>	<u>(3,094)</u>
Total tax charge for the period	<u>32,248</u>	<u>35,108</u>

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2023 and 2022 as the Group did not generate any assessable profits arising in Hong Kong during the periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/ jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount for the six months ended 30 June 2023 is based on the profit for the period attributable to shareholders of the Company of HK\$149,541,000 (six months ended 30 June 2022: HK\$138,827,000), and the 1,500,360,150 ordinary shares in issue during the periods.

The Group has no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the existing Zhangjiagang BOO project was shut down and will be dismantled based on the requirement as stipulated in new Zhangjiagang BOT project agreement which is a continuation of the existing project, therefore net carrying amount of HK\$316,470,000 has been transferred from property, plant and equipment to operating concession.

11. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivables under service concession arrangements represented the Group's unconditional right to receive cash or another financial asset for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service under service concession arrangements. They were all unbilled as at 30 June 2023 and 31 December 2022.

At 30 June 2023, certain solid waste treatment concession rights of the Group, which comprises operating concessions and receivables under service concession arrangements with an aggregate net carrying amount of HK\$3,226,323,000 (31 December 2022: HK\$2,671,988,000), which are managed by the Group pursuant to the relevant service concession arrangements signed with the grantors, are mortgaged for the Group's bank loans.

During the six months ended 30 June 2023, the waste water treatment and discharge permit of a household waste treatment plant expired and were not renewed based on the latest measures on environmental protection and emission imposed by the PRC government. The operation of the plant was therefore suspended which resulted in an impairment of HK\$23,225,000 recognised in profit or loss during the period against the related receivables under service concession arrangements.

12. TRADE AND BILLS RECEIVABLES

Various companies of the Group have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one to three months. An 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.

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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Billed:		
Within 3 months	286,436	163,898
4 to 6 months	55,628	50,068
7 to 12 months	37,153	69,989
1 to 2 years	59,278	72,574
2 to 3 years	11,752	3,234
Over 3 years	757	5,754
	<u>451,004</u>	<u>365,517</u>
Unbilled*	<u>360,314</u>	<u>295,166</u>
	<u>811,318</u>	<u>660,683</u>

* *The unbilled balance represents entitlements to renewable energy tariff subsidies from the sale of electricity.*

13. 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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Billed:		
Less than 3 months	400,225	272,260
4 to 6 months	38,704	24,021
7 to 12 months	85,755	80,758
Over 1 year	173,601	97,325
	698,285	474,364
Unbilled*	239,220	264,973
	937,505	739,337

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

Notes:

- (a) Included in the Group's trade payables is an amount of HK\$27,278,000 (31 December 2022: HK\$28,517,000) due to a non-controlling equity holder of a subsidiary, arising from transactions carried out in the ordinary course of business of the Group. The balance is unsecured, interest-free and repayable on credit terms similar to those offered by the non-controlling equity holder of a subsidiary to its major customers.
- (b) The trade payables are non-interest-bearing and normally settled within one to six months.

14. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 30 June 2023 amounted to HK\$2,043,165,000 (31 December 2022: HK\$2,585,713,000) and HK\$10,066,836,000 (31 December 2022: HK\$10,638,754,000), respectively.

INTERM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Solid Waste Treatment Segment

During the first half of 2023, the Group operated ten solid waste treatment projects in Mainland China, including nine household waste incineration power generation projects and a hazardous and medical waste treatment project. The Zhangjiagang Project completed its off-site expansion construction and commenced its commercial operation during the period, increasing the Group's daily treatment capacity of household waste incineration to 12,400 tonnes.

Project Name	Region	Business Model	Waste treatment capacity (tonnes/day)
Household waste incineration power generation projects:			
Zhangjiagang Project (張家港市生活垃圾焚燒發電廠項目)	Jiangsu	BOT	2,250
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	2,025
Gaoantun Project (北京高安屯垃圾焚燒項目)	Beijing	BOT	1,600
Yanzhou Project (濟寧市兗州區生活垃圾焚燒發電項目)	Shandong	BOT	1,500
Ha'erbin Project (哈爾濱雙琦垃圾焚燒發電項目)	Heilongjiang	BOT	1,200
Changde Project (常德市生活垃圾焚燒發電項目)	Hunan	BOT	1,200
Taian Project (泰安生活垃圾焚燒發電項目)	Shandong	BOO	1,200
Shuyang Project (江蘇省沭陽縣垃圾焚燒發電項目)	Jiangsu	BOT	1,200
Wenchang Project (文昌市生活垃圾焚燒發電廠項目)	Hainan	BOT	225
Hazardous and medical waste treatment project:			
Hengxing Project (湖南省衡陽危險廢物處置中心項目)	Hunan	BOT	

In terms of production and operation, facing the market background caused by the reducing national subsidies for on-grid electricity tariffs, the upgrading of environmental protection emission standards and the shortage of incoming rubbish due to garbage sorting, every solid waste project company has, on one hand, focused on its main business to improve unit efficiency and steadily facilitated materials centralised procurement to save costs and enhance efficiency, and on the other hand, combining with its own characteristics and market demand to actively expanded the sources of general and industrial rubbish, and developed the sludge, food waste, and heating and gas supply businesses to expand multi-channel business income. During the period, the Group completed 2.05 million tonnes of household waste intake (average 11,351 tonnes/day, increased by 8.8% year-on-year), and 176,000 tonnes of sludge treatment intake (increased by 113% year-on-year). The electricity generating volume was 784 million kWh (increased by 14% year-on-year), electricity sales volume was 662 million kWh (increased by 15% year-on-year). During the period, the production and operation recorded revenue of HK\$636 million, which increased by 6.5% year-on-year and gross profit of HK\$289 million, increased by 22.6% year-on-year.

For project construction, the number of construction projects in progress decreased during the period under review. The major Zhangjiagang off-site expansion construction project was basically completed and entered into commercial operation and project completion settlement. During the period, the project construction business recorded revenue of HK\$438 million, down by 1.3% year-on-year, and gross profit of HK\$80 million, decreased by 9.9% year-on-year.

In facing the increasingly fierce competition in the solid waste market, the Group forged ahead and successfully won the bid for the Shiyuan Urban District Household Waste Incineration Power Generation Project (the “Shiyuan Project”) in the first half year, with a phase I treatment capacity of 600 tonnes per day, and has commenced the site formation works with a view to commencing production by the end of 2024.

Ecological Construction Segment

On one hand, the ecological construction segment continued to cultivate the existing market in Beijing, participated in the bidding of landscape construction and maintenance projects in the city's sub-centre and landscape upgrading and renovation projects in various districts of Beijing, and on the other hand, it strived to develop key markets outside Beijing, with a total of 28 successful bids in the first half year. The business has largely turned around during the period under review, and recorded a revenue of HK\$151 million, representing an increase of HK\$27 million year-on-year, and gross profit was HK\$21 million, representing a significant increase of HK\$17 million year-on-year.

PROSPECT

Taking the “14th Five-Year Plan” as its framework, the Group will continue to expand the solid waste market. On one hand, the Group will actively look for quality project opportunities to increase its market share and build up its core competitiveness. On the other hand, the Group will tap into new opportunities in the development of the solid waste industry, expand the high-end business of solid waste, enhance the technical value, creative and the added-value of the Company's business, expand the path of sludge resourcing, and carry out key high-value resourcing and utilisation projects of solid waste, so as to deeply push forward the restructuring and upgrading of the solid waste business, and to establish its business to become a “leading integrated environmental service provider in the PRC with the treatment of solid wastes as its core business”.

FINANCIAL REVIEW

Revenue and gross profit

During the six months ended 30 June 2023, the Group recorded revenue of HK\$1,225.11 million, increased by 5.2% as compared with last corresponding period of HK\$1,165.05 million. The revenue derived from the solid waste treatment and the sale of electricity and steam amounted to HK\$636.26 million, increased by 6.5% as compared with last corresponding period of HK\$597.45 million. The revenue derived from the waste incineration plant construction, sale of equipment and related services amounted to HK\$438.13 million, decreased by 1.3% as compared with last corresponding period of HK\$444.01 million. The revenue derived from the ecological construction and related services amounted to HK\$150.72 million, increased by 22% as compared with last corresponding period of HK\$123.59 million.

The Group's gross profit amounted to HK\$389.91 million, increased by 18.5% as compared with last corresponding period of HK\$329.02 million. The overall gross profit margin increased from 28.2% to 31.8%.

	Revenue		Gross profit		Gross profit margin	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2023	2022	2023	2022	2023	2022
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	%	%
Household waste treatment	151.93	165.14				
Other solid waste treatment	90.24	70.37				
Sale of electricity and steam	394.09	361.94				
	636.26	597.45	289.90	235.55	45.6	39.4
Waste incineration plant construction, sale of equipment and related services	438.13	444.01	78.97	88.99	18.0	20.0
Ecological construction and related services	150.72	123.59	21.04	4.48	14.0	3.6
	1,225.11	1,165.05	389.91	329.02	31.8	28.2

Other income and gains, net

The Group recorded net other income and gains of HK\$44.94 million during the six months ended 30 June 2023, increased by HK\$5.63 million as compared with last corresponding period of HK\$39.31 million. The other income for the period mainly comprised value added tax refund from household waste treatment business of HK\$36.63 million (first half of 2022: HK\$27.13 million), interest income of HK\$4.54 million (first half of 2022: HK\$1.65 million) and government grants of HK\$1.58 million (first half of 2022: HK\$1.07 million).

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2023 increased by 12.6% or HK\$12.49 million to HK\$111.86 million.

Other operating expenses, net

The Group incurred net other operating expenses of HK\$38.43 million during the six months ended 30 June 2023, increased by HK\$26.49 million as compared with last corresponding period of HK\$11.94 million. The other operating expenses for the period mainly comprised net foreign exchange loss of HK\$9.34 million (first half of 2022: HK\$10.56 million), impairment loss of trade receivables of HK\$5.57 million (first half of 2022: HK\$0.61 million) and impairment loss of receivables under service concession arrangements of HK\$23.23 million (first half of 2022: Nil).

Finance costs

The Group's finance cost for the six months ended 30 June 2023 increased by 18.7% or HK\$14.78 million to HK\$93.97 million, which mainly comprised interest on bank loans of HK\$29.1 million (first half of 2022: HK\$14.8 million), interest on the shareholder's loan from Idata Finance Trading Limited ("Idata"), the immediate holding company of the Company, of HK\$22.7 million (first half of 2022: HK\$22.7 million) and interest on loans advanced from fellow subsidiaries of the Company of HK\$40.16 million (first half of 2022: HK\$49.7 million). Interest on bank and other borrowings of HK\$0.11 million (first half of 2022: HK\$10.03 million) incurred for the construction of solid waste treatment projects have been capitalised during the period.

Income tax

The Group's income tax expense for the six months ended 30 June 2023 decreased by 8.1% or HK\$2.86 million to HK\$32.25 million, comprising current tax expenses of HK\$26.28 million (first half of 2022: HK\$38.20 million) and deferred tax charge of HK\$5.97 million (first half of 2022: deferred tax credit of HK\$3.09 million). The Group's effective tax rate for the period was 17.0% (first half of 2022: 19.9%).

EBITDA and profit for the period

EBITDA for the six months ended 30 June 2023 was HK\$407.16 million, increased by 11.5% or HK\$42.12 million as compared with last corresponding period of HK\$365.04 million. Profit for the period amounted to HK\$157.39 million, increased by 11.3% or HK\$15.95 million as compared with last corresponding period of HK\$141.44 million. Profit for the period attributable to shareholders of the Company amounted to HK\$149.54 million, increased by 7.7% or HK\$10.71 million as compared with last corresponding period of HK\$138.83 million.

	EBITDA		Profit/(loss) for the period		Profit/(loss) for the period attributable to shareholders of the Company	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2023	2022	2023	2022	2023	2022
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Solid waste treatment segment	425.77	398.56	209.19	201.69	201.98	192.34
Ecological construction services segment	12.32	(10.18)	1.87	(14.15)	1.24	(7.17)
Corporate and others segment	(30.93)	(23.34)	(53.67)	(46.10)	(53.68)	(46.34)
	<u>407.16</u>	<u>365.04</u>	<u>157.39</u>	<u>141.44</u>	<u>149.54</u>	<u>138.83</u>

FINANCIAL POSITION

Significant investing and financing activities

In June 2023, the Company established a project company for the investment in the operating license of the Shiyan Project. The estimated total investment of the Shiyan Project was approximately HK\$500 million.

Except for the expansion construction and continuing technical modifications on the existing waste incineration plants, the Group had made no material investment, acquisition and disposal of subsidiaries and associated companies during the period.

Total assets and liabilities

As at 30 June 2023, the Group has total assets and total liabilities amounted to HK\$11,683 million and HK\$7,574 million, respectively, decreased by HK\$485 million and HK\$484 million as compared with those as at 31 December 2022, respectively. Net assets of the Group was HK\$4,109 million, decreased by HK\$0.85 million from the end of last year.

Property, plant and equipment

During the period, the net carrying amount of the Group's property, plant and equipment decreased by HK\$395 million to HK\$607 million. The existing Zhangjiagang BOO project was shut down during the period and will be dismantled based on the requirement as stipulated in new Zhangjiagang BOT project agreement which is a continuation of the existing project, therefore net carrying amount of HK\$316 million has been transferred from property, plant and equipment to operating concession.

Goodwill

The Group acquired certain companies engaging in the solid waste treatment business in April 2014 and October 2016 and aggregate goodwill of HK\$1,122 million arose from these acquisitions. During the period, there is no significant consequence that giving rise to the material deterioration to the aggregate value-in-use value of the relevant cash generating units of the solid waste treatment business. The Company will appoint an independent professional valuer to further assess the goodwill impairment testing at the financial year end.

Right-of-use assets

The Group's right-of-use assets decreased by HK\$11 million to HK\$63 million during the period.

Operating concessions

The Group's operating concessions are recognised from the solid waste treatment plants operated under Build-Operate-Transfer ("BOT") arrangements. Resulting from the continuing construction of solid waste incineration plants, the transfer of the carrying amount of property, plant and equipment of HK\$316 million in Zhangjiagang BOO Project as mentioned above and set off against the exchange rate fluctuation during the period, the net carrying amount of the Group's operating concessions increased by HK\$379 million to HK\$3,505 million, of which additions to operating concessions amounted to HK\$282 million (first half of 2022: HK\$96 million) and amortisation charges amounted to HK\$66 million (first half of 2022: HK\$62 million).

Other intangible assets

During the period, the net carrying amount of the Group's other intangible assets decreased by HK\$3 million to HK\$40 million, which mainly comprised the fair value of the operation right of the Jiangsu Zhangjiagang Project of HK\$32 million (31 December 2022: HK\$34 million) and other operating licenses of HK\$6 million (31 December 2022: HK\$6 million).

Receivables under service concession arrangements

The Group's receivables under service concession arrangements are recognised from the household waste treatment plants operated under BOT arrangements with guaranteed waste treatment revenue. Resulting from the continuing construction of solid waste incineration plants and set off against the exchange rate fluctuation during the period, the carrying amount of the Group's receivables under service concession arrangements decreased by HK\$52 million to HK\$2,657 million, of which the additional receivable recognised from the Zhangjiagang Jingmai Project amounted to HK\$134 million.

Contract assets

The Group's contract assets increased by HK\$76 million to HK\$386 million, which is mainly due to the continuing construction of certain solid waste incineration plants during the period.

Inventories

The Group's inventories mainly represented coal and consumables used for the operation of solid waste incineration plants and was steadily maintained at HK\$47 million.

Trade and bills receivables

The Group's trade and bills receivables increased by HK\$151 million to HK\$811 million (net of impairment of HK\$29 million) from the end of last year, which comprised receivables (before impairment) from grid electricity of HK\$478 million (31 December 2022: HK\$363 million), waste treatment services of HK\$350 million (31 December 2022: HK\$276 million), construction and related services of HK\$8 million (31 December 2022: HK\$47 million).

According to the ageing analysis as at 30 June 2023, national subsidy of grid electricity of HK\$360 million (44% of the total) are unbilled and invoice date of the Group's trade and bills receivables within three months amounted to HK\$286 million (35% of the total).

Prepayments, deposits and other receivables

The Group's total prepayments, deposits and other receivables increased by HK\$59 million to HK\$367 million from the end of last year, which mainly comprised prepayments of HK\$43 million, value added tax refund and other taxes recoverable of HK\$174 million, balances due from related parties of HK\$114 million, deposits and other receivables of HK\$36 million.

Bank and other borrowings

The Group advanced new bank and other borrowings of RMB107 million and repaid bank and other borrowings of RMB550 million during the period. As at 30 June 2023, the Group has total bank and other borrowings amounted to Hong Kong dollars equivalent of HK\$5,721 million, which comprised (i) the shareholder's loan of HK\$2,693 million from Idata, (ii) RMB1,295 million from commercial banks in Mainland China, (iii) RMB1,452 million from fellow subsidiaries of the Company and (iv) RMB39 million from a non-controlling equity holder of a subsidiary. The weighted average interest rate of the Group's bank and other borrowings (excluded the shareholder's loan from Idata) was approximately 3.7% per annum.

Deferred income

The Group's deferred income decreased by HK\$2 million to HK\$173 million from the end of last year, which mainly represented government grants and subsidies on solid waste treatment business in Mainland China.

Trade payables

The Group's trade payables increased by HK\$198 million to HK\$938 million from the end of last year, 25% of which (HK\$239 million) are unbilled.

Other payables and accruals

The Group's total other payables and accruals decreased by HK\$55 million to HK\$389 million from the end of last year. Included in other payables and accruals are (i) loan interest payable to Idata of HK\$68 million and (ii) amounts due to fellow subsidiaries of HK\$108 million.

Liquidity and financial resources

The Group adopts conservative treasury policies in cash management. As at 30 June 2023, the Group has cash and cash equivalents amounted to HK\$1,959 million (approximately 90% of which were denominated in Renminbi) and interest-bearing bank and other borrowings amounted to HK\$5,721 million (included the shareholder's loan from Idata of HK\$2,693 million).

As at 30 June 2023, the Group has current assets of HK\$3,659 million and current liabilities of HK\$1,616 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 has sufficient cash resources to finance its operations in the foreseeable future.

Key performance indicators

	For the six months ended 30 June	
	2023	2022
Gross profit margin	31.8%	28.2%
Operating profit margin	23.1%	22.0%
Net profit margin	12.8%	12.1%
Return on average equity	<u>4.0%</u>	<u>3.9%</u>
	30 June	31 December
	2023	2022
Current ratio (<i>times</i>)	2.26	2.69
Debt ratio (<i>total liabilities/total assets</i>)	64.8%	66.2%
Gearing ratio (<i>net debt/total equity</i>)	<u>91.6%</u>	<u>89.2%</u>

Capital expenditure and commitment

During the six months ended 30 June 2023, the Group's total capital expenditures amounted to HK\$294 million, of which HK\$282 million was spent on construction and modification of waste incineration plants and HK\$12 million was spent on purchase of other assets. As at 30 June 2023, the Group has capital commitment for service concession arrangements amounted to HK\$497 million.

Charges on the Group's assets

As at 30 June 2023, save as certain solid waste treatment concession rights of the Group, which comprises operating concessions and receivables under service concession arrangements with an aggregate net carrying amount of HK\$3,226 million, which are managed by the Group pursuant to the relevant service concession arrangements signed with the grantors, are mortgaged for the Group's bank loans, the Group did not have any material 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 period, the losses arising on settlement or translation of monetary items of HK\$9 million (first half of 2022: HK\$11 million) are taken to profit or loss and the comprehensive losses arising on translation of foreign operations of HK\$142 million (first half of 2022: HK\$172 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

As at 30 June 2023, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 1,308 employees (30 June 2022: 1,313). Total staff cost for the six months ended 30 June 2023 was HK\$153 million, increased by 3% as compared with HK\$149 million in last corresponding period. 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 2023.

- (1) Under Code Provision C.1.6, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, certain independent non-executive directors of the Company were unable to attend the 2023 annual general meeting of the Company due to other business engagements.

- (2) Under Code Provision C.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for non-executive directors to voice their views by individual communication with the chairman of the board.
- (3) Under Code Provision C.5.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. 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.

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 2023.

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 D.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 2023.

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 2023.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2023 interim report containing all the relevant information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.beegl.com.hk) in due course.

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
Beijing Enterprises Environment Group Limited
Ke Jian
Chairman

Hong Kong, 30 August 2023

As at the date of this announcement, the board of directors of the Company comprises five executive directors, namely Mr. Ke Jian, Ms. Sha Ning, Mr. Chen Xinguo, Mr. Yu Jie and Mr. Ng Kong Fat, Brian, and five independent non-executive directors, namely Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming.