



北控城市資源集團有限公司

BEIJING ENTERPRISES URBAN RESOURCES GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock code 股份代號: 3718



2021

INTERIM REPORT

中期報告

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Kexi (*Chief Executive Officer*)

Mr. Zhang Hailin

Mr. Huang Zhiwan

Non-Executive Directors

Mr. Zhou Min (*Chairman*)

Mr. Li Li

Mr. Li Haifeng

Independent Non-Executive Directors

Mr. Orr Ka Yeung, Kevin

Mr. Wu Tak Kong

Dr. Du Huanzheng

AUDIT COMMITTEE

Mr. Wu Tak Kong (*Chairman*)

Mr. Orr Ka Yeung, Kevin

Dr. Du Huanzheng

NOMINATION COMMITTEE

Mr. Zhou Min (*Chairman*)

Mr. Orr Ka Yeung, Kevin

Mr. Wu Tak Kong

REMUNERATION COMMITTEE

Dr. Du Huanzheng (*Chairman*)

Mr. Zhao Kexi

Mr. Wu Tak Kong

COMPANY SECRETARY

Mr. Fung Che Wai, Anthony

STOCK CODE

3718

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AUDITOR

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

COMPLIANCE ADVISER

Somerley Capital Limited

PRINCIPAL BANKERS

In Hong Kong:

DBS Bank (Hong Kong) Limited

CMB Wing Lung Bank

China Minsheng Banking Corp., Ltd.

In Mainland China:

Bank of Beijing

Bank of Communication Co., Ltd.

Bank of Jiangsu

CHAIRMAN'S STATEMENT

Dear Shareholders:

In the first half of 2021, as the global epidemic situation gradually improved, the world economy recovered gradually, yet the pace of recovery was significantly diversified and unbalanced among the countries. The economy of our country continued to recover steadily with the quality and efficiency of economic development enhancing progressively. The entire staff members of Beijing Enterprises Urban Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") worked together cohesively, maintaining a firm strategic direction, persisting in improving the quality of environmental hygiene services, ensuring steady operation of hazardous waste treatment facilities while working side by side with the local governments to enhance the environmental quality and overcome the epidemic successfully, thereby achieving outstanding business performance.

BUSINESS REVIEW

For the six months ended 30 June 2021 (the "Reporting Period"), the Group recorded a revenue of approximately HK\$2,110.9 million, representing an increase of approximately 36.5% as compared with the corresponding period last year. Profit for the period attributable to shareholders of the Company increased by approximately 14.1% to approximately HK\$248.5 million as compared with the corresponding period last year. Basic and diluted earnings per share during the period was approximately HK6.90 cents.

2021 is the inaugural year of the "14th Five-Year Plan". In the 2021 government work report, the following is clearly proposed, "orderly promotion of classification and treatment of urban domestic waste (有序推進城鎮生活垃圾分類處置)" and "strengthen the collection and treatment of hazardous waste and medical waste (加強危險廢物醫療廢物收集處理)". The "Opinions of the Central Committee of the Communist Party of China and the State Council on Comprehensively Promoting Rural Revitalization and Accelerating Agricultural and Rural Modernization (《中共中央國務院關於全面推進鄉村振興加快農業農村現代化的意見》)" proposed the implementation of a five-year action to improve and enhance the living environment of the rural inhabitants and promote an integrated treatment of urban and rural environmental hygiene by third party in qualified regions. It is for the first time that a top-level design is implemented at the national level ever since the commencement of marketized reform on environmental hygiene in the past 30 years. In May 2021, the National Development and Reform Commission (國家發展和改革委員會) and other departments successively launched the "14th Five-Year Plan for Urban Domestic Waste Classification and Treatment Facilities Development Plan (《「十四五」城鎮生活垃圾分類和處理設施發展規劃》)", "Notice of the Development of Comprehensive Utilization of Bulk Solid Waste Demonstration (《關於開展大宗固體廢棄物綜合利用示範的通知》)", and "Implementation Plan for Strengthening the Reform of Hazardous Waste Supervision and Utilization and Disposal Capacity (《強化危險廢物監管和利用處置能力改革實施方案》)". These policies target orientations which become challenges as well as benefits for the Group.

Due to the impact of the epidemic, the increase in the speed of marketization of environmental hygiene services slowed down slightly, but it is expected that the degree of marketization will continue to increase. At the same time, newly emerged market entities and cross-industry operators continue to pour into the environmental hygiene market resulting in intense market competition. As of 30 June 2021, the Group had 113 environmental hygiene service projects with a total contracted area of approximately 194.1 million sq.m. The Shenzhen Baoan Project of the Group was upgraded to an integrated and refined new intelligent management model with advanced environmental hygiene equipment being introduced to increase the mechanization rate of operations, thereby strengthening the application of intelligent environmental hygiene and creating a standard system for quality and management.

CHAIRMAN'S STATEMENT (CONTINUED)

The distribution of the hazardous waste treatment industry is rather scattered. During the Reporting Period, the amount of waste produced by industrial enterprises affected by the epidemic had gradually resumed a rising trend. However, the market price of hazardous free disposal of hazardous waste continued to fall, the overall market competition remained fierce. The Group has actively responded to market changes and made timely adjustment to its market operation strategy. With the newly built second phase of Shandong Pingfu project being put into operation, the operational efficiency is enhanced effectively. The Group's Weifang Shouguang project was selected into the 2021 "Eco-Environmental Open Cooperation Projects Shandong Province (《山東省生態環境領域開放合作項目》)" list by the Department of Eco-Environment of Shandong Province, Development and Reform Commission, and Department of Commerce, and it also signed strategic cooperation agreements with professional soil remediation engineering research institutions to continuously improve the technical capacities and the level of research and development technology. As of 30 June 2021, the Group's total designed treatment capacity for projects that engaged in hazard-free waste disposal reached 351,016 tons per annum, and the total designed treatment capacity for projects that engaged in recycling and reuse was up to 250,000 tons per annum.

COMPANY CONTROL

During the Reporting Period, the Company steadily promotes its digitalized development strategy and initially builds up a basic digitalized framework through the construction of a unified and integrated platform for finance, human resources, OA, CRM to further enhance the management effectiveness. The Company has gradually implemented methods that emphasize on self-developed methods to strengthen the construction and application of the setup of intelligent environmental hygiene platform.

Through the development of work groups, the environmental hygiene service projects provided strong support, management and control to key projects and effectively enhanced service quality and customer satisfaction. With the application of refined management for hazardous waste treatment projects, significant management efficiency, improvement on various management segments of the operating projects, and savings on operating costs were achieved. During the Reporting Period, the Group had established a financial accounting and budgeting information system in compliance with business requirements, thereby strengthening the overall management and control of financial accounting and the stringent control and management of budgeting.

The Group has further improved the Healthy, Safe and Environmental (HSE) scheme and management system, strengthened safe and environmental management and control measures, and widened the scope of investigation and management of hidden dangers through on-site supervision and random inspection, thus effectively minimizing safety and environmental risks while ensuring steady and orderly procedures for safe production of various projects. The Group organizes a number of safety training and education activities for various operating projects, ranging from theme activities to knowledge competitions, skill competitions, and emergency drills. Short video platform are also held to increase employees' awareness and enhance their alertness of safety pre-warnings.

SUSTAINABLE DEVELOPMENT

The Group always adheres to the sustainable development philosophy, continuing to improve the corporate governance system centered on environment, society and governance, practicing the ideas of "clean city, recycling resources, and working together to create clear waters and green mountains", enhance the efficient use of resources, and advocate the use of new energy. The Group is committed to achieving the reduction of hazardous waste, hazardous free disposal and comprehensive utilization of resources, and further improving the living environment for urban and rural inhabitants.

The Group persists in the "green and low-carbon" development philosophy and actively responds to the development strategy for realizing the carbon neutrality target of the country. The Group's environmental hygiene service business implements the green environmental protection philosophy. While serving to improve the urban and rural environment, the Group uses environmental friendly new energy vehicles in many projects to reduce pollution emission. The Group's hazardous waste disposal business actively provides hazardous waste disposal and resource recycling and reuse services to industrial enterprises and medical units. The Shandong Pingfu Project also effectively saves energy and reduces consumption, and engages in green operation through technical improvements such as rainwater collection and heat utilization in the process of operation.



CHAIRMAN'S STATEMENT (CONTINUED)

During the Reporting Period, the Group continued to strictly follow the laws and regulations in its operation, enhance the corporate governance level, elevate review on investment projects and increase anti-fraud inspections to strengthen the Company's risk management capacities. It also helps the Company to prevent and control operational risks, thereby providing strong and safe protection to achieve sustainable development and stable operation in the long run.

Nurturing professional talents and human resource management are the cornerstones for the long-term development of enterprises. The Group has always adhered to the people-centric development philosophy, pragmatically protecting the rights and interests of employees, thereby enhancing their sense of belonging. During the Reporting Period, the Group launched the "Echelon Plan" project for nurturing reserve talents, and carried out online training and incentive programs for all management personnel in order to create learning-oriented organizations and enhance the comprehensive quality of employees.

OUTLOOK FOR THE FUTURE

As the global epidemic continues to evolve, more unstable factors exist in the external environment. Despite unbalanced economic recovery within the country, it is expected that the overall national economy will continue to recover and consolidate steadily, and move forward positively, and that relevant production capacity and market demand will gradually be back to the normal level in the second half of the year.

The Group will seize every opportunity in the market, continue to expand the market scale and optimize the industrial layout. By adhering to the customer-centric approach, the Group strives to improve customer satisfaction and through optimizing its standard operating system and endeavours to establish a sound quality control system in order to enhance the quality of operation, thereby creating core competitiveness.

The Group firmly adheres to the strategy of creating a strong enterprise through science and technology; continues to optimize the intelligent environmental hygiene system and hazardous waste ERP system; enhances its capabilities in scientific research and development and technological implementation, thus improving the technology management system. Through the establishment of practicing base for talent nurturing, the Group adopts a combined approach of theoretical training and on-the-job practicing to sustain the continued growth of employees, thereby gradually perfecting the talent training system. In addition to the continuous efforts on firmly maintaining a bottom line for safety and environmental protection, the Group succeeds in creating a healthy environment and staunchly adheres to its long-term and sustainable development strategy.

Finally, I would like to express my sincere gratitude and convey the best wishes to our shareholders, customers, staff members and partners for their great and consistent support to the Group.

Zhou Min

Chairman of the Board

27 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

The analysis of the Group's financial results, by business segments, for the six months ended 30 June 2021 and 2020 is set out in details below:

	Revenue			Gross profit margin			Profit attributable to shareholders of the Company from continuing operations		
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	Change %	2021 %	2020 %	Change %	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	Change %
Environment hygiene services	1,636,624	1,266,068	29.3%	27.4%	31.8%	(4.4)%	193,059	211,151	(8.6)%
Hazardous waste treatment business									
– Hazard-free waste disposal projects	221,476	113,355	95.4%	43.1%	46.2%	(3.1)%	61,919	22,190	179.0%
– Recycling and reuse projects	119,546	80,068	49.3%	34.6%	30.8%	3.8%	33,037	17,121	93.0%
Subtotal	341,022	193,423	76.3%	40.1%	39.8%	0.3%	94,956	39,311	141.6%
Others	133,230	86,511	54.0%	25.6%	32.1%	(6.5)%	16,082	12,032	33.7%
Business results	2,110,876	1,546,002	36.5%	29.3%	32.9%	(3.6)%	304,097	262,494	15.8%
Corporate and other unallocated income and expenses, net							(55,564)	(44,678)	24.4%
Total							248,533	217,816	14.1%

IMPACTS OF COVID-19

In 2020, there was an outbreak of an infectious respiratory disease named "COVID-19" by the World Health Organization, which is caused by a novel coronavirus. The PRC government has implemented various contingency measures and actions to prevent the spread of COVID-19 pandemic such as travel and work restrictions in certain provinces and municipalities in China. The COVID-19 pandemic outbreak has caused a significant adverse impact to the economic and business environment in the PRC in the first half of 2020, but with the successful implementation of those contingency measures, the PRC economy was gradually recovering from the second half of 2020.

In 2021, with the implementations of COVID-19 vaccination and other precautionary measures taken in the PRC, the PRC central government has safeguarded the public health and allowed the resuming of normal business activities during the six months ended 30 June 2021. The Group's two core businesses, namely environmental hygiene services and hazardous waste treatment services, were not affected by the COVID-19 pandemic. Due to the increased capacity of the Group's hazardous waste treatment projects and the recovery of the PRC economy, the revenue from the Group's hazardous waste treatment business for the six months ended 30 June 2021 increased significantly by approximately 76.3% as compared with corresponding period in 2020. During the same period, the Group's revenue from the environmental hygiene services also increased by approximately 29.3% as compared with corresponding period in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW

The Group is principally engaged in environmental hygiene services, hazardous waste treatment business and waste electrical and electronic equipment treatment business.

Environmental hygiene services

Environmental hygiene services refer to services in relation to environmental hygiene maintenance and management, such as road cleaning, garbage collection and transportation, garbage transportation station management, public toilet management and other services. Generally, the Group utilises existing public facilities, including garbage transportation stations and public toilets, to provide comprehensive environmental hygiene services. Our environmental hygiene services primarily cover comprehensive road cleaning, garbage sorting, garbage collection and transportation, garbage transportation station management, public toilet management, manure collection and transportation, greenway maintenance, river cleaning services and property management services.

According to a report by Frost & Sullivan, a global market research and consulting firm, the size of China's environmental hygiene service market increased from RMB165.3 billion in 2015 to RMB305.5 billion in 2020, and is expected to further increase to RMB351.5 billion and RMB548.7 billion in 2021 and 2025, respectively.

In line with common practice in the environmental hygiene service industry, the relevant market is classified into two sectors, namely the government agency sector and the enterprise sector. The enterprise sector accounted for only 15.2% of the total market in 2015. Whereas the share of the enterprise sector as a percentage of the total market increased to 54.4% in 2020, and is expected to further increase to 78.2% in 2025.

As at 30 June 2021, the Group had 113 environmental hygiene services projects, the movements of which, during the six months ended 30 June 2021, were as follow:

	Number of projects
As at 1 January 2021	113
Newly added	2
Terminated/ceased to operate	(2)
As at 30 June 2021	113

The Group operates its environment hygiene services projects under the following models:

Operating Models	Number of projects
Operation & Maintenance ("O&M")	108
Public-Private-Partnership ("PPP")	
• Build-Transfer-Operate	1
• Transfer-Operate-Transfer	4
Total	113

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Under the O&M model, the Group acts as a third-party professional municipal operator for operation and maintenance for its customers, i.e., the local government, which usually outsource the municipal projects whose construction has been completed or nearly completed to the Group. Under the PPP model, the Group enters into operating concession arrangements with the local government which regulate the scope and price of services that the Group provides by utilizing the assets, and also set out the treatment of any significant residual interests in the assets at the end of the term of the arrangements.

During the six months ended 30 June 2021, the Group successfully won a total of 2 environmental hygiene service projects through public tenders with estimated annual revenue amounting to approximately HK\$19.0 million. During the six months ended 30 June 2021, the Group had recorded a total amount of approximately HK\$750,000 as revenue in respect of these 2 projects.

As at 30 June 2021, the Group had a total contracted area of approximately 194.1 million sq.m. (31 December 2020: 194.4 million sq.m.) with its environmental hygiene service projects, which created an average revenue of approximately HK\$6.4 per sq.m. (six months ended 30 June 2020: HK\$6.2 per sq.m.).

Hazardous waste treatment business

Under the hazardous waste treatment business, the Group processes and safely disposes of hazardous waste for industrial companies and medical institutions and charges them waste treatment fees. The Group's hazardous waste treatment business mainly covers collection, transportation, storage and disposal of wastes such as medical waste and industrial solid waste.

According to a report by Frost & Sullivan, a global market research and consulting firm, from 2015 to 2020, the disposal volume of hazardous waste in China increased from 39.8 million tons to 83.0 million tons, representing a compound annual growth rate ("CAGR") of 15.8%. Disposal is mainly used for waste on which no other proper treatment methods are available. Hazard-free waste disposal aims to eliminate or minimize negative effect that hazardous waste may have on the environment. Landfill and incineration are two of the most common treatment methods for solid hazardous waste. For liquid hazardous waste, common treatment methods include flocculation and purification. Before being disposed of, hazardous waste needs to undergo certain pretreatment methods based on its nature. Common pretreatment methods include physical-chemical and solidification or stabilization.

As at 30 June 2021, the Group had 8 hazardous waste treatment projects in operation. As of 30 June 2021, treatment facilities of our projects that engaged in hazard-free waste disposal had a total designed treatment capacity of 351,016 tons per annum (31 December 2020: 338,718 tons). Treatment facilities of projects that engaged in recycling and reuse had a total designed treatment capacity of 250,000 tons per annum (31 December 2020: 250,000 tons), as of the same date. As of 30 June 2021, the Group also had 3 projects under construction and 3 projects planned for future construction.

Other business

Other business represents waste electrical and electronic equipment treatment business. As of 30 June 2021, the Group had 2 revenue-generating waste electrical and electronic equipment treatment projects.

The Group procures waste electrical and electronic appliances mainly from local waste electrical and electronic appliances recycling stations. Types of dismantled equipment include computers, refrigerators, television sets, washing machines and air conditioners.

For the six months ended 30 June 2021, revenue from our waste electrical and electronic equipment treatment business amounted to approximately HK\$133.2 million (six months ended 30 June 2020: HK\$86.5 million), representing approximately 6.3% (six months ended 30 June 2020: 5.6%) of the Group's total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL PERFORMANCE

Revenue and gross profit margin

The Group's total revenue increased to approximately HK\$2,110.9 million for the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$1,546.0 million), primarily due to increased revenue from the Group's environmental hygiene services and hazardous waste treatment projects.

Environmental hygiene services

During the six months ended 30 June 2021, the Group recorded a total revenue of approximately HK\$1,636.6 million (six months ended 30 June 2020: HK\$1,266.1 million) from its environmental hygiene services projects. As at 30 June 2021, the Group had a total of 113 environmental hygiene services projects (30 June 2020: 107).

The gross profit margin of the Group's environmental hygiene services projects decreased from approximately 31.8% for the six months ended 30 June 2020 to approximately 27.4% for the six months ended 30 June 2021, mainly because of:

- (i) decrease in relief related to value-added-tax ("VAT Relief") granted by the local government in the PRC due to the COVID-19 pandemic from the amount of approximately HK\$63.8 million for the six months ended 30 June 2020 to HK\$38.9 million for the six months ended 30 June 2021 (before taking into account the effect of corporate income tax and non-controlling interests of the respective projects); and
- (ii) absence of the relief related to the reduction of the Group's social welfare and security contributions and other relief ("Other Relief") granted by the local government in the PRC due to the COVID-19 pandemic in the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$23.7 million) (before taking into account the effect of corporate income tax and non-controlling interests of the respective projects).

The following table sets forth the financial impacts of the VAT Relief and the Other Relief on the revenue and gross profit margin of the Group's environmental hygiene services projects for the six months ended 30 June 2021:

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Environmental hygiene services		
Revenue	1,636,624	1,266,068
Less: VAT Relief	(38,939)	(63,793)
Revenue excluding VAT Relief	1,597,685	1,202,275
Cost of sales	1,188,760	862,885
Add: Other Relief	–	23,657
Costs of sales excluding Other Relief	1,188,760	886,542
Gross profit excluding VAT Relief and Other Relief	408,925	315,733
Gross profit margin excluding VAT Relief and Other Relief	25.6%	26.3%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Hazardous waste treatment services

During the six months ended 30 June 2021, the Group recorded a total revenue of approximately HK\$341.0 million (six months ended 30 June 2020: HK\$193.4 million) from its hazardous waste treatment services projects. Due to the PRC government's successful implementation of contingency measures to prevent the spread of COVID-19 pandemic, the Group's customers have resumed their normal operational capacity and businesses have been recovering during the six months ended 30 June 2021.

The Group's gross profit margin of its hazardous waste treatment services projects slightly increased from approximately 39.8% for the six months ended 30 June 2020 to approximately 40.1% for the six months ended 30 June 2021.

The following table sets forth an analysis of the sales price of the Group's hazardous waste treatment service projects:

	Hazard-free waste disposal projects			Recycling and reuse projects			Total		
	Six months ended 30 June		Change	Six months ended 30 June		Change	Six months ended 30 June		Change
	2021	2020		2021	2020		2021	2020	
Revenue (HK\$'000) (unaudited)	221,476	113,355	95.4%	119,546	80,068	49.3%	341,022	193,423	76.3%
Actual treatment/sale volume (tons)	106,643	39,175	172.2%	29,780	28,458	4.6%	136,423	67,633	101.7%
Average sales price (HK\$/ton)	2,077	2,894	(28.2)%	4,014	2,814	42.6%	2,500	2,860	(12.6)%

The actual treatment of the Group's hazard-free waste disposal projects increased from 39,175 tons for the six months ended 30 June 2020 to 106,643 tons for the six months ended 30 June 2021, whereas the average sales price decreased from HK\$2,894 per ton for the six months ended 30 June 2020 to HK\$2,077 per ton for the six months ended 30 June 2021.

The sales volume of the Group's recycling and reuse projects increased from 28,458 tons for the six months ended 30 June 2020 to 29,780 tons for the six months ended 30 June 2021, and the average sales price increased from HK\$2,814 per ton for the six months ended 30 June 2020 to HK\$4,014 per ton for the six months ended 30 June 2021 mainly because of the increase in the market price of methanol during the period.

Administrative expenses

Administrative expenses for the six months ended 30 June 2021 increased to HK\$196.2 million, as compared to the corresponding period in 2020 of HK\$138.1 million. The increase was mainly due to (i) increase in salaries, wages and welfare in the amount of HK\$38.6 million; (ii) increase in office expenses in the amount of HK\$10.4 million; and (iii) the increase in rental expenses in the amount of HK\$3.2 million as a result of continuous business expansion.

Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK\$38.4 million (six months ended 30 June 2020: HK\$36.2 million). The increase in finance costs was mainly due to the increase in interest-bearing bank borrowings during the six months ended 30 June 2021.

Income tax expense

The income tax expense increased from HK\$82.1 million for the six months ended 30 June 2020 to HK\$100.7 million for the six months ended 30 June 2021, mainly because of the increase in the operating taxable profits of the Group's environmental hygiene services and hazardous waste treatment projects.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Property, plant and equipment

Property, plant and equipment consist of buildings, plant and machinery, furniture, fixtures and equipment, motor vehicles and construction on progress. The increase in property, plant and equipment during the six months ended 30 June 2021 was mainly due to the net effect of (i) purchase of motor vehicles for environmental hygiene services projects in the amount of HK\$88.6 million; (ii) additions of construction in progress for hazardous waste treatment projects and environmental hygiene services projects in the amount of HK\$209.8 million; (iii) depreciation provided during the six months ended 30 June 2021 in the amount of HK\$170.8 million; and (iv) change in exchange rate differences on foreign exchange translation in the amount of HK\$22.9 million.

Right-of-use-assets

Right-of-use assets consist of buildings, motor vehicles and prepaid land lease premium. Decrease in right-of-use assets was mainly due to net effect of (i) additions of HK\$8.1 million; and (ii) amortisation of HK\$16.6 million.

Goodwill

Goodwill mainly represented the goodwill arose from the acquisition of subsidiaries in 2018 or before and the change was mainly due to exchange rate differences on foreign exchange translation.

Operating concessions

Operating concessions represented arrangements involving the Group as a provider of environmental hygiene services on behalf of the relevant government agencies for a period of 15 to 28 years. Decrease in operating concessions was mainly due to the net effect of (i) addition of an operating concession arrangement in the amount of HK\$1.4 million; and (ii) amortisation of HK\$30.1 million charged to the consolidated statement of profit of loss.

Receivables under service concession arrangements

The Group's receivables under service concession arrangements are recognised from the environmental hygiene services operated under PPP projects with guaranteed environmental hygiene services revenue.

Trade and bills receivables

Increase in trade and bills receivables was mainly due to continuous business expansion in environmental hygiene services.

The following table sets forth the turnover days of the Group's trade receivables:

	30 June 2021	31 December 2020
Average trade and bills receivable turnover days (<i>days</i>)	103	100

Environmental decommissioning fee receivable

Environmental decommissioning fee receivable represented government subsidies receivable from the PRC central government for the Group's waste electrical and electronic equipment treatment services projects.

Contract assets

Contract assets represented the construction services in relation to Group's environmental hygiene services projects. Increase in the contract assets was mainly due to certain construction services had been provided and completed.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Prepayments, deposit and other receivables

Increase in prepayments, deposit and other receivables was mainly due to (i) increase in the guarantee deposits held by customers for environmental hygiene services projects in the amount of HK\$8.9 million; (ii) increase in prepaid expenses in the amount of HK\$17.5 million; and (iii) increase in the prepayments for acquisition of property, plant and equipment in the amount of HK\$31.5 million.

Trade and bills payables

Trade and bills payables mainly represented payables due to third parties for the procurement of raw materials used for Group's hazardous waste treatment business and fuel used by Group's mechanized vehicles and other consumables used for environmental hygiene services. The increase was mainly due to the increase in procurement as a result of the continuous business expansion in environmental hygiene services business.

Other payables and accruals

Other payables and accruals mainly represented payable for acquisition of property, plant and equipment, accruals for the Group's expenses and lease liabilities. The decrease was mainly due to the decrease in payables for acquisition of property, plant and equipment in the amount of HK\$187.5 million.

Interest-bearing bank and other borrowings

Increase in bank and other borrowings was mainly due to drawdown of bank borrowings during the six months ended 30 June 2021 for the purposes of development in the Group's environmental hygiene services and hazardous waste treatment businesses.

Liquidity and financial resources

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

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately HK\$1,895.7 million (31 December 2020: approximately HK\$1,725.3 million).

As at 30 June 2021, the Group's bank and other borrowings amounted to HK\$2,297.7 million (31 December 2020: HK\$1,758.6 million).

The net gearing ratio (defined as bank and other borrowings, net of cash and cash equivalents, divided by the total equity) was 10.3% as at 30 June 2021 (31 December 2020: 0.9%). The increase in the net gearing ratio as at 30 June 2021 was mainly due to the drawdown of bank borrowings because of continuous business expansion.

Capital expenditure

During the six months ended 30 June 2021, the Group's total capital expenditures were HK\$362.9 million (six months ended 30 June 2020: HK\$513.9 million), out of which HK\$352.6 million, HK\$8.1 million, HK\$1.4 million and HK\$0.8 million (six months ended 30 June 2020: HK\$420.3 million, HK\$93.6 million, nil and nil) were paid for the additions of property, plant and equipment, right-of-use assets, operating concession and other intangible assets, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FUTURE OUTLOOK

The ongoing COVID-19 pandemic brings uncertainties to the PRC economic environment. However, with the implementations of COVID-19 vaccination and other precautionary measures taken in the PRC, the PRC central government has safeguarded the public health and allowed the resuming of normal business activities during the six months ended 30 June 2021.

In respect of the Group's environmental hygiene services business, the Group intends to participate in more tendering process for new projects, expands into new markets and seeks the opportunities to expand the services to certain related business areas, such as recycling, sorting, greenway maintenance and reuse of municipal waste as a result of increasing urbanization in the PRC. The Group's hazardous waste treatment services business is expected to continue to grow in the second half of 2021 due to the increased capacity of the Group's projects and the recovery of the PRC economy.

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings of the Group as at 30 June 2021 are secured by:

- (i) pledges over the Group's equity interest in subsidiaries and a non-controlling shareholder's equity interest in a subsidiary as at 30 June 2021 and 31 December 2020; and
- (ii) pledges over certain of the Group's property, plant and equipment, right-of-use assets and operating concession rights as at 30 June 2021 and 31 December 2020.

Save as disclosed above, as at 30 June 2021, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a(n) increase/decrease in the Group's net asset value. During the six months ended 30 June 2021, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed 39,737 employees (30 June 2020: 36,094 employees) with total staff cost of approximately HK\$861.6 million incurred for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$592.8 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no significant investments, material acquisition and disposal of subsidiaries, associates and joint ventures by the Group for the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2021.

IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REVIEW PERIOD

There was no other important event affecting the Group since 30 June 2021 and up to the date of this report.

USE OF PROCEEDS FROM LISTING

On 15 January 2020 (the "Listing Date"), 900,000,000 new ordinary shares with a par value of HK\$0.1 each of the Company were issued at a price of HK\$0.69 by way of share offer and the Company's shares were listed on the Main Board of the Stock Exchange. The net proceeds from the share offer (after deducting listing expenses) amounted to approximately HK\$603.4 million (the "IPO Proceeds") with a net price of approximately HK\$0.67 per share. The IPO Proceeds are intended to be applied in accordance with the proposed application as set out in the prospectus of the Company dated 30 December 2019. Up to 30 June 2021, the IPO Proceeds were utilised according to the intentions previously disclosed by the Company as follows:

	Intended use of proceeds HK\$ million	Actual amount utilised from Listing Date to 30 June 2021 HK\$ million	Unutilised amount as at 30 June 2021 HK\$ million	Expected timeline for utilising the unutilised amount
Purchase of equipment and facilities for hazardous waste treatment projects				
– Incineration system	191.1	179.9	11.2	
– Wastewater and liquid waste flocculation and purification system	11.2	11.2	–	
– Deodorization system	13.4	8.5	4.9	
Sub-total	215.7	199.6	16.1	Before end of 2021
Construction of buildings for hazardous waste treatment projects				
– Factory plants	78.7	78.7	–	
– Office buildings	11.3	11.3	–	
Sub-total	90.0	90.0	–	N/A
Purchase of garbage trucks for environmental hygiene services projects	97.9	97.9	–	N/A
Repayment of a bank borrowing in Hong Kong	150.0	150.0	–	N/A
General working capital	49.8	49.8	–	N/A
Total	603.4	587.3	16.1	

The unutilised IPO Proceeds were deposited with licensed banks in the PRC.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
REVENUE	3	2,110,876	1,546,002
Cost of sales		(1,492,113)	(1,038,058)
Gross profit		618,763	507,944
Other income and gains, net	3	42,699	29,304
Administrative expenses		(196,205)	(138,132)
Selling and distribution expenses		(15,196)	(6,222)
Other expenses		(7,713)	(5,890)
Finance costs	5	(38,407)	(36,177)
Share of profit of a joint venture		3,308	2,326
PROFIT BEFORE TAX	4	407,249	353,153
Income tax expense	6	(100,715)	(82,142)
PROFIT FOR THE PERIOD		306,534	271,011
Attributable to:			
Owners of the parent		248,533	217,816
Non-controlling interests		58,001	53,195
		306,534	271,011
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	7		
Basic and diluted		HK6.90 cents	HK6.17 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	306,534	271,011
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	52,489	(68,772)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	359,023	202,239
Attributable to:		
Owners of the parent	292,847	155,034
Non-controlling interests	66,176	47,205
	359,023	202,239



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021	31 December 2020
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	<i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,464,299	2,283,033
Right-of-use assets		389,793	395,842
Goodwill		298,891	295,482
Operating concessions		257,599	282,873
Other intangible assets		5,464	4,766
Prepayments, deposits and other receivables		94,684	69,519
Investment in a joint venture		39,483	37,223
Equity investment designated at fair value through other comprehensive income		6,024	5,952
Receivables under service concession arrangements	10	81,834	87,202
Trade receivables	11	35,246	34,826
Contract assets		62,890	60,818
Deferred tax assets		29,122	21,777
Total non-current assets		3,765,329	3,579,313
CURRENT ASSETS			
Inventories		66,956	47,135
Receivables under service concession arrangements	10	21,472	14,835
Trade and bills receivables	11	1,232,225	1,097,393
Environmental decommissioning fees receivable	12	381,865	329,439
Contract assets		4,972	7,001
Other tax recoverable		211,635	173,904
Prepayments, deposits and other receivables		140,291	106,483
Due from related companies		10,443	4,059
Due from non-controlling shareholders		16,019	18,428
Restricted cash and pledged deposits		9,939	15,051
Cash and cash equivalents		1,895,694	1,725,283
Total current assets		3,991,511	3,539,011
TOTAL ASSETS		7,756,840	7,118,324

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	13	237,595	233,226
Other payables and accruals		810,640	966,421
Other taxes payable		70,032	30,523
Income tax payable		48,358	58,731
Due to related companies		3,908	1,310
Due to non-controlling shareholders		38,916	45,688
Interest-bearing bank and other borrowings	14	706,177	986,070
Total current liabilities		1,915,626	2,321,969
NET CURRENT ASSETS		2,075,885	1,217,042
TOTAL ASSETS LESS CURRENT LIABILITIES		5,841,214	4,796,355
NON-CURRENT LIABILITIES			
Deferred income		166,133	169,826
Other payables and accruals		121,392	119,449
Deferred tax liabilities		31,762	31,380
Interest-bearing bank and other borrowings	14	1,591,546	772,568
Provision for major overhauls		37,359	36,067
Total non-current liabilities		1,948,192	1,129,290
NET ASSETS		3,893,022	3,667,065
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	360,000	360,000
Reserves		2,835,965	2,651,527
		3,195,965	3,011,527
Non-controlling interests		697,057	655,538
TOTAL EQUITY		3,893,022	3,667,065

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent									
	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Exchange fluctuation reserve HK\$'000	PRC reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2020	270,000	-	1,076,069	(2,170)	(52,978)	86,789	436,110	1,813,820	443,738	2,257,558
Profit for the period (unaudited)	-	-	-	-	-	-	217,816	217,816	53,195	271,011
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	(62,782)	-	-	(62,782)	(5,990)	(68,772)
Total comprehensive income/(loss) for the period (unaudited)	-	-	-	-	(62,782)	-	217,816	155,034	47,205	202,239
Capital contributions from non-controlling shareholders (unaudited)	-	-	-	-	-	-	-	-	3,622	3,622
Capital reductions from non-controlling shareholders (unaudited)	-	-	-	-	-	-	-	-	(4,444)	(4,444)
Issue of new shares pursuant to the Share Offer (unaudited) (Note 15)	90,000	531,000	-	-	-	-	-	621,000	-	621,000
Share issue expenses (unaudited)	-	(33,564)	-	-	-	-	-	(33,564)	-	(33,564)
Acquisition of non-controlling interests (unaudited)	-	-	(1,029)	-	-	-	-	(1,029)	(2,547)	(3,576)
Transfer between reserves (unaudited)	-	-	-	-	-	23,002	(23,002)	-	-	-
At 30 June 2020 (unaudited)	360,000	497,436	1,075,040	(2,170)	(115,760)	109,791	630,924	2,555,261	487,574	3,042,835
At 1 January 2021	360,000	497,436*	1,075,029*	(2,170)*	131,504*	156,299*	793,429*	3,011,527	655,538	3,667,065
Profit for the period (unaudited)	-	-	-	-	-	-	248,533	248,533	58,001	306,534
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	44,314	-	-	44,314	8,175	52,489
Total comprehensive income for the period (unaudited)	-	-	-	-	44,314	-	248,533	292,847	66,176	359,023
Capital contributions from non-controlling shareholders (unaudited)	-	-	-	-	-	-	-	-	23,005	23,005
Acquisition of non-controlling interests (unaudited)	-	-	(108,409)	-	-	-	-	(108,409)	(36,158)	(144,567)
Dividend paid to non-controlling shareholders (unaudited)	-	-	-	-	-	-	-	-	(11,504)	(11,504)
Transfer between reserves (unaudited)	-	-	-	-	-	29,430	(29,430)	-	-	-
At 30 June 2021 (unaudited)	360,000	497,436*	966,620*	(2,170)*	175,818*	185,729*	1,012,532*	3,195,965	697,057	3,893,022

* These reserve accounts comprise the consolidated reserves of HK\$2,835,965,000 (unaudited) (31 December 2020: HK\$2,651,527,000 (audited)) in the condensed consolidated statements of financial position as at 30 June 2021.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	468,447	437,649
Corporate income tax paid in the People's Republic of China (the "PRC" or "Mainland China")	(111,086)	(58,964)
Net cash flows from operating activities	357,361	378,685
INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(571,527)	(364,001)
Proceeds from disposal items of property, plant and equipment	24,611	3,120
Additions to other intangible assets	(725)	(9)
Additions of right-of-use assets	(5,129)	(41,643)
Additions of operating concessions	(1,438)	–
Advance to related companies	(11,297)	–
Repayments from related companies and non-controlling shareholders	6,595	–
Settlement of acquisition consideration payable	–	(50,333)
Decrease in pledged deposits	5,291	321
Interest received	8,742	8,274
Net cash flows used in investing activities	(544,877)	(444,271)
FINANCING ACTIVITIES		
Capital contributions from non-controlling shareholders	23,005	3,622
Proceed from issue of shares, net	–	603,408
New bank and other borrowings	931,260	284,016
Repayments of bank and other borrowings	(409,808)	(409,107)
Principal portion of lease payments	(16,120)	(18,328)
Advances from related companies and non-controlling shareholders	27,685	773
Repayments to related companies and non-controlling shareholders	(21,131)	–
Interest paid	(32,116)	(31,814)
Acquisition of non-controlling interests	(144,567)	(3,576)
Dividend paid to non-controlling shareholders	(11,504)	–
Net cash flows from financing activities	346,704	428,994
Net increase in cash and cash equivalents	159,188	363,408
Cash and cash equivalents at beginning of period	1,725,283	1,051,896
Effect of foreign exchange rate changes, net	11,223	(28,036)
Cash and cash equivalents at end of period	1,895,694	1,387,268

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1.1 CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

In January 2020, the Company completed the global offering and listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and dealings of the Company’s shares on the Stock Exchange commenced on 15 January 2020.

The Company is an investment holding company. During the period, the Group was involved in the following principal activities:

- provision of environmental hygiene services
- provision of hazardous waste treatment services
- provision of waste electrical, electronic equipment treatment services and sale of dismantled products

1.2 BASIS OF PREPARATION

This unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It is unaudited but has been reviewed by the audit committee of the Company (the “Audit Committee”).

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 2020.

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, except for the adoption of the revised HKFRSs as disclosed in note 1.3 below.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited 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 2020, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

Amendment to HKFRS 16

COVID-19-Related Rent Concessions beyond 30 June 2021
(early adopted)

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and Renminbi ("RMB") based on the Hong Kong Interbank Offered Rate and Loan Prime Rate from the People's Bank of China, respectively, as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the environmental hygiene services segment provides city cleaning and public hygiene services;
- (b) the hazardous waste treatment segment provides hazardous waste treatment services; and
- (c) the “others” segment comprise, principally, the waste electrical and electronic equipment treatment services and the sale of dismantled products.

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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that corporate and other unallocated income and expenses are excluded from such measurement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

2. OPERATING SEGMENT INFORMATION (Continued)

	Environmental hygiene services for the six months ended 30 June		Hazardous waste treatment for the six months ended 30 June		Others for the six months ended 30 June		Total for the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Segment revenue (Note 3)	1,636,624	1,266,068	341,022	193,423	133,230	86,511	2,110,876	1,546,002
Cost of sales	(1,188,760)	(862,885)	(204,265)	(116,442)	(99,088)	(58,731)	(1,492,113)	(1,038,058)
Gross profit	447,864	403,183	136,757	76,981	34,142	27,780	618,763	507,944
Segment results	325,372	321,845	105,577	53,336	31,864	22,650	462,813	397,831
Corporate and other unallocated income and expenses, net:								
– Interest income							378	29
– Other corporate gains							385	29
– Finance costs							(11,438)	(10,207)
– Corporate and other unallocated expenses							(44,889)	(34,529)
							(55,564)	(44,678)
Profit before tax							407,249	353,153
Income tax expense							(100,715)	(82,142)
Profit for the period							306,534	271,011
Segmental profit for the period	238,111	251,045	98,156	44,088	25,831	20,556	362,098	315,689
Non-controlling interests	(45,052)	(39,894)	(3,200)	(4,777)	(9,749)	(8,524)	(58,001)	(53,195)
Owners of the parent	193,059	211,151	94,956	39,311	16,082	12,032	304,097	262,494
Corporate and other unallocated income and expenses, net							(55,564)	(44,678)
							248,533	217,816
Other segment information:								
Share of profit of a joint venture	-	-	3,308	2,326	-	-	3,308	2,326
Impairment losses recognised in the statement of profit or loss, net	3,613	-	1,589	1,199	-	64	5,202	1,263
Depreciation and amortisation	160,037	96,426	53,215	32,569	4,609	3,441	217,861	132,436
Capital expenditure*	146,105	352,051	213,835	161,050	2,923	762	362,863	513,863

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets, operating concessions and other intangible assets.

Geographical information

- All of the Group's revenue from external customers was derived from the Group's operations in the PRC during the period.
- Over 90% of the Group's non-current assets were derived from the Group's operations in the PRC during the period.

Information about major customers

During the six months ended 30 June 2021, revenue from the environmental hygiene services segment of approximately HK\$225,171,000 was derived from a single customer.

During the six months ended 30 June 2020, no revenue from transactions with a single external customer contributed over 10% of the total revenue of the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

3. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue, other income and gains, net is as follows:

	Notes	For the six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contract customers			
Environmental hygiene services businesses			
– Environmental hygiene services	(a)	1,628,411	1,256,574
– Construction services	(a)	8,213	9,494
		1,636,624	1,266,068
Hazardous waste treatment businesses			
– Hazardous waste treatment services	(a)	221,476	113,355
– Sale of refined chemical and other products	(a)	119,546	80,068
		341,022	193,423
Sale of dismantled products	(a)	78,200	35,302
		2,055,846	1,494,793
Revenue from other source			
Environmental decommissioning fees income		55,030	51,209
		2,110,876	1,546,002
Other income and gains, net			
Interest income		8,742	8,274
Foreign exchange differences, net		–	2,242
Government grants	(b)	7,457	7,348
VAT refunds	(c)	6,124	6,729
Consultancy services provided	(a)	16,741	857
Others		3,635	3,854
		42,699	29,304

Notes:

(a) *Disaggregated revenue information*

Environmental hygiene services and construction services are recognised over time. Hazardous waste treatment services, sale of refined chemical and other products, sale of dismantled products and consultancy services are recognised at a point in time.

Please refer to note 2 to the financial information for the disclosure on disaggregated revenue for details.

(b) *The government grants recognised during the period represented grants received from certain government authorities. There are no unfulfilled conditions or contingencies relating to these grants.*

(c) *Certain subsidiaries are entitled to a refund of 50% to 70% of the net VAT paid/payable under the Catalogue of Products and Services related to Recycling Businesses Qualified for Value-Added Tax (VAT) Preferential Treatment (Caishui [2015] No. 78) jointly issued by the PRC State Administration of Taxation and the Ministry of Finance.*

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cost of inventories sold	177,268	113,319
Cost of services provided	1,284,740	919,375
Depreciation of property, plant and equipment	170,809	109,709
Depreciation of right-of-use assets	16,581	17,056
Amortisation of intangible assets	366	307
Amortisation of operating concessions*	30,105	5,364
Impairment losses/(reversal of impairment losses) of trade receivables, net [#]	3,613	(1,022)
Write-down of inventories to net realisable value [#]	1,589	2,285
Gain on disposal of items of property, plant and equipment	(1,246)	(29)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Salaries and benefits in kind	757,217	549,178
Pension scheme contributions	104,349	43,646
	861,566	592,824

* Included in "Cost of sales" in the condensed consolidated statements of profit or loss.

[#] Included in "Other expenses" in the condensed consolidated statements of profit or loss.

5. FINANCE COSTS

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on bank borrowings	40,318	30,593
Interest on other loans	241	2,278
Interest on lease liabilities	3,908	4,242
Total interest on bank and other borrowings	44,467	37,113
Increase in discounted amounts of provision for major overhaul arising from the passage of time	858	121
Total finance costs	45,325	37,234
Less: Interest capitalised	(6,918)	(1,057)
	38,407	36,177

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

6. INCOME TAX

No provision for Hong Kong profits tax has been made during the six months ended 30 June 2021 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2020: Nil).

The income tax provisions in respect of operations in Mainland China are calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions, by reasons that (1) these companies are engaged in the operations of environmental protection, energy and water conservation; and/or (2) they have operations in the Western region of Mainland China that are qualified for a 15% concessionary corporate income tax rate for a prescribed period of time pursuant to the "Circular of the State Council on Policies and Measures Concerning the Large-scale Development of China's Western Regions" (Guo Fa [2000] No. 33) issued by the State Council of Mainland China.

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Mainland China charge for the period	107,542	81,747
Deferred	(6,827)	395
Total tax charge for the period	100,715	82,142

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the six months ended 30 June 2021 attributable to shareholders of the Company and the weighted average number of ordinary shares of 3,600,000,000 in issue during the six months ended 30 June 2021 (six months ended 30 June 2020: 3,530,769,231).

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

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

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	248,533	217,816
Number of ordinary shares		
Weighted average number of ordinary shares, used in the basic and diluted earnings per share calculations	3,600,000,000	3,530,769,231

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

8. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2021 nor has any dividend been proposed since the end of the reporting period up to the date of this report (six months ended 30 June 2020: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's additions of property, plant and equipment amounted to HK\$352,565,000 (six months ended 30 June 2020: HK\$420,265,000). There were disposals of property, plant and equipment with an aggregate carrying amount of HK\$23,365,000 during the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$3,091,000).

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivable under service concession arrangements represented the Group's unconditional right to receive cash or another financial asset for the construction and system installation service provided 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 2021 and 31 December 2020.

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Unbilled:		
Current portion	21,472	14,835
Non-current portion	81,834	87,202
	103,306	102,037

11. TRADE AND BILLS RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	1,251,284	1,123,563
Less: impairment	(10,451)	(6,754)
	1,240,833	1,116,809
Bills receivables	26,638	15,410
	1,267,471	1,132,219
Portion classified as current assets	(1,232,225)	(1,097,393)
Non-current portion	35,246	34,826

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

11. TRADE AND BILLS RECEIVABLES (Continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date or revenue recognition date (when the invoices had yet been issued by then) and net of loss allowance, is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 1 month	509,794	333,923
1 to 2 months	164,420	217,504
2 to 3 months	130,538	146,168
Over 3 months	400,835	384,388
	1,205,587	1,081,983
Unbilled*	35,246	34,826
	1,240,833	1,116,809

* The unbilled balance was attributable to certain construction services which will be billed in accordance with the repayment terms stipulated in relevant construction services agreements entered into between the Group and the contract customers.

12. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Environmental decommissioning fees receivable	381,865	329,439

The balance represented government subsidies receivable from the Central Government of the People's Republic of China (the "Central Government") for the waste electrical and electronic equipment treatment services. The Group submits the quantities and products dismantled to the government online system on a weekly basis. The Central Government would appoint independent auditors to perform fieldwork audit quarterly or semi-annually, depending on the province practice, to verify the submitted details in the online system posted by the dismantling entities. Audit report would be issued by the independent auditors and submitted to the Central Government for the quantities confirmation results. Subject to the internal procedures for processing the auditor reports, the Central Government would publish online confirmation notices on its website the quantities of dismantling appliance and an environmental decommissioning fee would be paid to the entities after the online publication. The whole confirmation process from performing the waste electrical and electronic equipment treatment services until the cash receipt from Central Government ranged from 3 to 4 years.

The Group does not hold any collateral over these balances.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

13. TRADE AND BILLS PAYABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables	203,764	225,936
Bills payable	33,831	7,290
	237,595	233,226

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 1 month	89,351	117,148
1 to 2 months	13,308	62,499
2 to 3 months	22,267	4,216
Over 3 months	78,838	42,073
	203,764	225,936

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Secured bank loans	1,181,814	912,532
Unsecured bank loans	1,091,929	809,030
Secured other loan	21,571	33,504
Unsecured other loans	2,409	3,572
Total bank and other borrowings	2,297,723	1,758,638
Portion classified as current liabilities	(706,177)	(986,070)
Non-current portion	1,591,546	772,568



NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

15. SHARE CAPITAL

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Authorised: 30,000,000,000 ordinary shares of HK\$0.1 each	3,000,000	3,000,000
Issued and fully paid: 3,600,000,000 (31 December 2020: 3,600,000,000) ordinary shares of HK\$0.1 each	360,000	360,000

The movements in the Company's share capital during the period from 1 January 2020 to 30 June 2021 were as follows:

	Number of ordinary shares of HK\$0.1 each	Nominal value of ordinary shares HK\$'000
Authorised: At 1 January 2020, 31 December 2020 and 30 June 2021	30,000,000,000	3,000,000
	Number of shares in issue of HK\$0.1 each	Share capital HK\$'000
Issue and fully paid: At 1 January 2020	2,700,000,000	270,000
Issue of new shares pursuant to the Share Offer (Note)	900,000,000	90,000
At 31 December 2020 and 30 June 2021	3,600,000,000	360,000

Note:

In connection with the listing of shares of the Company on the Main Board of the Stock Exchange (the "Share Offer"), 900,000,000 new ordinary shares of HK\$0.1 each were issued at a price of HK\$0.69 per share for a total cash consideration, before expenses, of HK\$621,000,000. Dealings in the shares of the Company on the Stock Exchange commenced on 15 January 2020.

16. CAPITAL COMMITMENTS

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted, but not provided for:		
Construction in progress	540,960	447,010
Plant and equipment	265,915	373,511
	806,875	820,521

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

17. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Related companies			
Costs of services provided [#]	(i)	1,904	2,957
Service income [#]	(ii)	8,958	8,226
Sale of uniforms, machineries, and consumables	(iii)	112	1,248

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

Notes:

- (i) During the six months ended 30 June 2021 and 2020, the Group engaged an associate of Beijing Enterprises Water Group Limited ("BEWG") to provide the waste treatment services, based on terms mutually agreed between the Group and the related party.
- (ii) The Group entered into an arrangement with a subsidiary of BEWG to provide entrusted operation service. For further details, please refer to the section headed "Connected Transactions" in the prospectus of the Company dated 30 December 2019. Amounts of HK\$9.0 million and HK\$8.2 million were recognised for the services provided for the six months ended 30 June 2021 and 2020, respectively.
- (iii) The amount represented income generated from the sale of uniforms, machineries and consumables for the provision of environmental hygiene services to a related company of BEWG.
- (iv) The Group leased two office buildings from BEWG and its subsidiary with lease term ranging from 2 to 3 years. The rental fee were RMB160,000 and HK\$88,385 per month throughout the contract period. The financial impact of the lease was included in right-of-use assets and lease liabilities in the financial statements for the year/period ended 31 December 2020 and 30 June 2021.
- (b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Short term employee benefits	3,382	6,347
Post-employment benefits	102	75
Total compensation paid to key management personnel	3,484	6,422

Save as disclosed above, at 30 June 2021, the Group had no other material transactions and outstanding balances with related parties.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2021

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of current financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values largely due to the short term maturities of these instruments, and accordingly, no disclosure of the fair values of these financial instruments is made.

For non-current financial assets and liabilities, in the opinion of the directors of the Company, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial instruments is made.

19. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

These condensed consolidated financial information were approved and authorised for issue by the board of directors on 27 August 2021.

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's interests and short positions in shares (the "Shares"), underlying shares or debentures of the Company and its Associated Corporations

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the Shares and/or underlying shares of the Company

Name of Directors	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the Company's Issued Share Capital (Note 1)
Mr. Zhao Kexi	-	-	39,920,000 (Note 2)	-	39,920,000	1.11%
Mr. Zhang Hailin	496,000	-	-	-	496,000	0.01%
Mr. Zhou Min	-	-	104,820,000 (Note 3)	-	104,820,000	2.91%
Mr. Li Haifeng	1,040,000	-	48,960,000 (Note 4)	-	50,000,000	1.39%

Notes:

1. The approximate percentage was calculated on the basis of 3,600,000,000 Shares in issue as at the date of this report.
2. 39,920,000 Shares were held by Long March Holdings Limited ("Long March"), a company wholly-owned by Mr. Zhao Kexi. Accordingly, Mr. Zhao Kexi is deemed to have interests in those Shares of Long March under the SFO.
3. 104,820,000 Shares were held by Star Colour Investments Limited ("Star Colour"), a company wholly-owned by Mr. Zhou Min. Accordingly, Mr. Zhou Min is deemed to have interests in those Shares of Star Colour under the SFO.
4. 48,960,000 Shares were held by Maolin Investments Limited ("MIL"), a company wholly-owned by Mr. Li Haifeng. Accordingly, Mr. Li Haifeng is deemed to have interests in those Shares of MIL under the SFO.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

DISCLOSEABLE INFORMATION (CONTINUED)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2021 were rights to acquire benefits by means of the acquisition of shares or shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 17 to the condensed consolidated financial information, no Directors nor a connected entity of a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2021.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, so far as was known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company as disclosed above) had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in the Shares and/or underlying shares of the Company

Name of shareholders	Capacity in which Shares are held	Number of Shares held	Approximate percentage of the Company's issued Share capital (Note 1)
Beijing Enterprises Group Company Limited ("BE Group") (Note 2)	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Group (BVI) Company Limited ("BE BVI") (Note 2)	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Holdings Limited ("BEHL") (Note 2)	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Environmental Construction Limited ("BE Environmental") (Note 2)	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Water Group Limited ("BEWG") (Note 2)	Beneficial interests	1,009,600,000	28.04%
Tang Wai Meng	Beneficial interests	252,168,000	7.00%
T. Rowe Price Associates, Inc. and its Affiliates	Beneficial interests	213,776,000	5.94%

Notes:

1. The approximate percentage was calculated on the basis of 3,600,000,000 Shares in issue as at the date of this report.
2. 1,009,600,000 Shares are held by BEWG. BEWG is directly held as to approximately 41.12% by BE Environmental. BE Environmental is a wholly-owned subsidiary of BEHL, which is deemed to be held as to approximately 61.96% by BE Group through BE BVI (BE Group's direct wholly-owned subsidiary), Beijing Enterprises Investments Limited ("BEIL") (a company being directly held as to 72.72% by BE BVI), and Modern Orient Limited (BEIL's direct wholly-owned subsidiary).

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Company strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders' interests. In the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2021.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all the Directors, all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive Directors namely Mr. Wu Tak Kong (the chairman of the Audit Committee), Mr. Orr Ka Yeung, Kevin and Dr. Du Huanzheng. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control of the Company. The interim results of the Group for the six months ended 30 June 2021 have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of the Listing Rules have been complied with, in the preparation of relevant results, and sufficient disclosures have been made.





北控城市資源集團有限公司
BEIJING ENTERPRISES URBAN RESOURCES GROUP LIMITED