

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **Beijing Enterprises Urban Resources Group Limited**

**北控城市資源集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3718)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022**

#### **HIGHLIGHTS**

- The Group recorded a revenue of approximately HK\$2,394.9 million, representing an increase of approximately 13.5% as compared with that of approximately HK\$2,110.9 million in last period.
- Profit for the period attributable to shareholders of the Company decreased by approximately 35.4% to approximately HK\$160.5 million for the six months ended 30 June 2022 as compared to approximately HK\$248.5 million for last period.
- Basic and diluted earnings per share for the six months ended 30 June 2022 were approximately HK4.46 cents (six months ended 30 June 2021: HK6.90 cents).
- The Group's revenue from environmental hygiene services increased by approximately 17.5% to approximately HK\$1,922.8 million for the six months ended 30 June 2022 as compared with that of approximately HK\$1,636.6 million in last period.
- Net cash flows from operating activities for the six months ended 30 June 2022 was approximately HK\$272.3 million (six months ended 30 June 2021: HK\$357.4 million).
- Cash and cash equivalents of the Group amounted to approximately HK\$1,547.5 million as at 30 June 2022.
- An interim dividend of HK1 cent per share is declared for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil). Dividend payout ratio is approximately 22.4% (six months ended 30 June 2021: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Enterprises Urban Resources Group Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results and cash flows of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 and the unaudited interim condensed consolidated statement of financial position as at 30 June 2022, together with comparative figures for the corresponding period in 2021, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>REVENUE</b>	3	<b>2,394,883</b>	2,110,876
Cost of sales		<u>(1,905,236)</u>	<u>(1,492,113)</u>
Gross profit		<b>489,647</b>	618,763
Other income and gains, net	3	<b>35,747</b>	42,699
Administrative expenses		<b>(220,045)</b>	(196,205)
Selling and distribution expenses		<b>(10,154)</b>	(15,196)
Other expenses		<b>(12,599)</b>	(7,713)
Finance costs	5	<b>(45,877)</b>	(38,407)
Share of profit of a joint venture		<u><b>2,289</b></u>	<u>3,308</u>
<b>PROFIT BEFORE TAX</b>	4	<b>239,008</b>	407,249
Income tax expense	6	<u><b>(62,099)</b></u>	<u>(100,715)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>176,909</b></u>	<u>306,534</u>
Attributable to:			
Owners of the parent		<b>160,483</b>	248,533
Non-controlling interests		<u><b>16,426</b></u>	<u>58,001</u>
		<u><b>176,909</b></u>	<u>306,534</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>			
Basic and diluted	7	<u><b>HK4.46 cents</b></u>	<u>HK6.90 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	<b>176,909</b>	306,534
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(184,899)</u>	<u>52,489</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u><b>(7,990)</b></u>	<u>359,023</u>
Attributable to:		
Owners of the parent	<b>1,404</b>	292,847
Non-controlling interests	<u>(9,394)</u>	<u>66,176</u>
	<u><b>(7,990)</b></u>	<u>359,023</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,968,486	2,748,027
Right-of-use assets		410,575	415,393
Goodwill		292,153	302,383
Operating concessions		196,121	231,355
Other intangible assets		7,856	6,036
Prepayments, deposits and other receivables		74,964	82,507
Investment in a joint venture		41,397	40,594
Equity investment designated at fair value through other comprehensive income		5,882	6,098
Receivables under service concession arrangements	9	130,091	134,472
Trade receivables	10	31,649	32,807
Contract assets		30,766	31,891
Deferred tax assets		44,529	35,898
		4,234,469	4,067,461
<b>CURRENT ASSETS</b>			
Inventories		93,536	74,072
Receivables under service concession arrangements	9	15,428	21,867
Trade and bills receivables	10	1,860,230	1,547,016
Environmental decommissioning fees receivable	11	430,676	394,932
Contract assets		1,729	1,792
Other tax recoverable		99,105	176,275
Prepayments, deposits and other receivables		162,650	139,191
Due from related companies		23,026	8,072
Due from non-controlling shareholders		18,924	17,103
Restricted cash and pledged deposits		103	28,231
Cash and cash equivalents		1,547,497	1,688,903
		4,252,904	4,097,454
<b>TOTAL ASSETS</b>		<b>8,487,373</b>	<b>8,164,915</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

30 June 2022

	<i>Notes</i>	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	357,631	274,973
Other payables and accruals		1,145,162	872,265
Other taxes payable		30,254	24,562
Income tax payable		49,870	27,236
Due to related companies		4,169	6,496
Due to non-controlling shareholders		64,675	57,822
Interest-bearing bank and other borrowings	13	401,073	402,991
		<u>2,052,834</u>	<u>1,666,345</u>
Total current liabilities			
		<u>2,200,070</u>	<u>2,431,109</u>
<b>NET CURRENT ASSETS</b>			
		<u>2,200,070</u>	<u>2,431,109</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>6,434,539</u>	<u>6,498,570</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		184,603	181,842
Other payables and accruals		102,710	100,316
Deferred tax liabilities		39,322	40,818
Interest-bearing bank and other borrowings	13	1,960,851	1,912,835
Provision for major overhauls		47,464	42,064
		<u>2,334,950</u>	<u>2,277,875</u>
Total non-current liabilities			
		<u>2,334,950</u>	<u>2,277,875</u>
<b>NET ASSETS</b>			
		<u>4,099,589</u>	<u>4,220,695</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	14	360,000	360,000
Reserves		3,031,641	3,138,237
		<u>3,391,641</u>	<u>3,498,237</u>
Non-controlling interests		707,948	722,458
		<u>707,948</u>	<u>722,458</u>
<b>TOTAL EQUITY</b>			
		<u>4,099,589</u>	<u>4,220,695</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net cash flows from operating activities	272,305	357,361
Net cash flows used in investing activities	(319,249)	(544,877)
Net cash flows (used in)/from financing activities	<u>(42,164)</u>	<u>346,704</u>
Net (decrease)/increase in cash and cash equivalents	(89,108)	159,188
Cash and cash equivalents at beginning of period	1,688,903	1,725,283
Effect of foreign exchange rate changes, net	<u>(52,298)</u>	<u>11,223</u>
Cash and cash equivalents at end of period	<u>1,547,497</u>	<u>1,895,694</u>

## NOTES

### 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. The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

On 13 June 2022, Beijing Enterprises Water Group Limited, which is a limited liability company incorporated in Bermuda and shares of which are listed on the Main Board of the Stock Exchange, and parties acting in concert with it, acquired additional issued shares in the Company and becomes the immediate and the ultimate holding company of the Company.

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 2022 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 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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

## 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.

	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	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>Segment revenue (Note 3)</b>	<b>1,922,785</b>	1,636,624	<b>302,134</b>	341,022	<b>169,964</b>	133,230	<b>2,394,883</b>	2,110,876
Cost of sales	<u>(1,505,278)</u>	<u>(1,188,760)</u>	<u>(250,800)</u>	<u>(204,265)</u>	<u>(149,158)</u>	<u>(99,088)</u>	<u>(1,905,236)</u>	<u>(1,492,113)</u>
Gross profit	<b>417,507</b>	447,864	<b>51,334</b>	136,757	<b>20,806</b>	34,142	<b>489,647</b>	618,763
<b>Segment results</b>	<b>238,720</b>	325,372	<b>15,680</b>	105,577	<b>16,086</b>	31,864	<b>270,486</b>	462,813
Corporate and other unallocated income and expenses, net:								
– Interest income							188	378
– Other corporate gains							811	385
– Finance costs							(12,207)	(11,438)
– Corporate and other unallocated expenses							(20,270)	(44,889)
							<u>(31,478)</u>	<u>(55,564)</u>
Profit before tax							<b>239,008</b>	407,249
Income tax expense							<u>(62,099)</u>	<u>(100,715)</u>
Profit for the period							<b>176,909</b>	<b>306,534</b>
Segmental profit for the period	<b>180,694</b>	238,111	<b>11,967</b>	98,156	<b>15,726</b>	25,831	<b>208,387</b>	362,098
Non-controlling interests	<u>(23,746)</u>	<u>(45,052)</u>	<u>14,896</u>	<u>(3,200)</u>	<u>(7,576)</u>	<u>(9,749)</u>	<u>(16,426)</u>	<u>(58,001)</u>
Owners of the parent	<b>156,948</b>	193,059	<b>26,863</b>	94,956	<b>8,150</b>	16,082	<b>191,961</b>	304,097
Corporate and other unallocated income and expenses, net							<u>(31,478)</u>	<u>(55,564)</u>
							<b>160,483</b>	<b>248,533</b>
<b>Other segment information:</b>								
Share of profit of a joint venture	-	-	<b>2,289</b>	3,308	-	-	<b>2,289</b>	3,308
Impairment losses recognised in the statement of profit or loss, net	<b>2,799</b>	3,613	<b>6,207</b>	1,589	-	-	<b>9,006</b>	5,202
Depreciation and amortisation	<b>161,224</b>	160,037	<b>62,307</b>	53,215	<b>3,543</b>	4,609	<b>227,074</b>	217,861
Capital expenditure*	<b>386,790</b>	146,105	<b>154,448</b>	213,835	<b>1,606</b>	2,923	<b>542,844</b>	362,863

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

## Geographical information

- (a) All of the Group's revenue from external customers was derived from the Group's operations in the People's Republic of China (the "PRC") during the period.
- (b) 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 2022, no revenue from transactions with a single external customer contributed over 10% of the total revenue of the Group.

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.

## 3. REVENUE, OTHER INCOME AND GAINS, NET

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

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Revenue from contract customers</b>		
Environmental hygiene services businesses		
– Environmental hygiene services	1,922,785	1,628,411
– Construction services	–	8,213
	<u>1,922,785</u>	<u>1,636,624</u>
Hazardous waste treatment businesses		
– Hazardous waste treatment services	182,282	221,476
– Sale of refined chemical and other products	119,852	119,546
	<u>302,134</u>	<u>341,022</u>
Sale of dismantled products	<u>118,906</u>	<u>78,200</u>
	<u>2,343,825</u>	<u>2,055,846</u>
<b>Revenue from other source</b>		
Environmental decommissioning fees income	<u>51,058</u>	<u>55,030</u>
	<u>2,394,883</u>	<u>2,110,876</u>
<b>Other income and gains, net</b>		
Interest income	6,297	8,742
Foreign exchange differences, net	12	–
Government grants	9,774	7,457
VAT refunds	11,918	6,124
Consultancy services provided	57	16,741
Gain on disposal of items of property, plant and equipment	221	1,246
Sale of scarp materials	1,949	–
Others	5,519	2,389
	<u>35,747</u>	<u>42,699</u>

#### 4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold*	288,825	177,268
Cost of services provided*	1,588,690	1,284,740
Depreciation of property, plant and equipment	178,030	170,809
Depreciation of right-of-use assets	19,748	16,581
Amortisation of intangible assets	1,575	366
Amortisation of operating concessions*	27,721	30,105
Impairment losses of trade receivables, net <sup>#</sup>	3,614	3,613
Write-down of inventories to net realisable value <sup>#</sup>	5,392	1,589
Gain on disposal of items of property, plant and equipment	(221)	(1,246)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Salaries and benefits in kind	906,908	757,217
Pension scheme contributions	133,754	104,349
	<u>1,040,662</u>	<u>861,566</u>

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

<sup>#</sup> Included in "Other expenses" in the condensed consolidated statements of profit or loss.

## 5. FINANCE COSTS

	<b>For the six months ended 30 June</b>	
	<b>2022</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>2021</b> <i>HK\$'000</i> <i>(Unaudited)</i>
Interest on bank borrowings	42,523	40,318
Interest on other loans	–	241
Interest on lease liabilities	3,866	3,908
	<hr/>	<hr/>
Total interest on bank and other borrowings	46,389	44,467
Increase in discounted amounts of provision for major overhaul arising from the passage of time	927	858
	<hr/>	<hr/>
Total finance costs	47,316	45,325
Less: Interest capitalised	(1,439)	(6,918)
	<hr/>	<hr/>
	<b>45,877</b>	<b>38,407</b>
	<hr/>	<hr/>

## 6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made during the six months ended 30 June 2022 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2021: 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.

	<b>For the six months ended 30 June</b>	
	<b>2022</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>2021</b> <i>HK\$'000</i> <i>(Unaudited)</i>
Current – Mainland China charge for the period	71,981	107,542
Deferred	(9,882)	(6,827)
	<hr/>	<hr/>
Total tax charge for the period	<b>62,099</b>	<b>100,715</b>
	<hr/>	<hr/>

## 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 2022 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 2022 (six months ended 30 June 2021: 3,600,000,000).

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021.

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

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Profit for the period attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	<u>160,483</u>	<u>248,533</u>
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares, used in the basic and diluted earnings per share calculations	<u>3,600,000,000</u>	<u>3,600,000,000</u>

## 8. DIVIDENDS

The Board proposed to pay a final dividend of HK3 cents per ordinary share (the “**Final Dividend**”) for the year ended 31 December 2021 (2020: Nil). The Final Dividend was approved by the shareholders of the Company at the annual general meeting of the Company held on 7 June 2022. The Final Dividend amounting to HK\$108 million was paid on 8 July 2022.

On 26 August 2022, the Board declared an interim dividend of HK1 cent (six months ended 30 June 2021: Nil) per ordinary share amounting to a total of approximately HK\$36,000,000 (six months ended 30 June 2021: Nil).

## 9. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

	<b>30 June 2022</b>	31 December 2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	<b>(Audited)</b>
Unbilled:		
Current portion	15,428	21,867
Non-current portion	<u>130,091</u>	<u>134,472</u>
	<u>145,519</u>	<u>156,339</u>

## 10. TRADE AND BILLS RECEIVABLES

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Trade receivables	1,905,227	1,579,203
Less: impairment	<u>(17,264)</u>	<u>(14,236)</u>
	<u>1,887,963</u>	<u>1,564,967</u>
 Bills receivables	 <u>3,916</u>	 <u>14,856</u>
	<u>1,891,879</u>	<u>1,579,823</u>
 Portion classified as current assets	 <u>(1,860,230)</u>	 <u>(1,547,016)</u>
 Non-current portion	 <u>31,649</u>	 <u>32,807</u>

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.

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:

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Within 1 month	467,693	502,544
1 to 2 months	276,428	212,398
2 to 3 months	235,536	166,812
Over 3 months	<u>876,657</u>	<u>650,406</u>
	<u>1,856,314</u>	<u>1,532,160</u>
 Unbilled	 <u>31,649</u>	 <u>32,807</u>
	<u>1,887,963</u>	<u>1,564,967</u>

## 11. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Environmental decommissioning fees receivable	<b>430,676</b>	394,932

The balance represented government subsidies receivable from the Central Government of the PRC (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.

## 12. TRADE AND BILLS PAYABLES

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Trade payables	<b>336,141</b>	266,071
Bills payable	<b>21,490</b>	8,902
	<b>357,631</b>	274,973

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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Within 1 month	<b>195,971</b>	183,343
1 to 2 months	<b>29,228</b>	22,575
2 to 3 months	<b>22,975</b>	16,486
Over 3 months	<b>87,967</b>	43,667
	<b>336,141</b>	266,071

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

### 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Secured bank loans	959,647	1,036,194
Unsecured bank loans	1,402,277	1,273,132
Secured other loan	–	6,500
	<hr/>	<hr/>
Total bank and other borrowings	2,361,924	2,315,826
Portion classified as current liabilities	(401,073)	(402,991)
	<hr/>	<hr/>
Non-current portion	<b>1,960,851</b>	<b>1,912,835</b>
	<hr/>	<hr/>

### 14. SHARE CAPITAL

	<b>Number of ordinary shares of HK\$0.1 each</b>	<b>Nominal value of ordinary shares HK\$'000</b>
Authorised: At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<hr/> 30,000,000,000	<hr/> 3,000,000
	<hr/>	<hr/>
	<b>Number of shares in issue of HK\$0.1 each</b>	<b>Share capital HK\$'000</b>
Issue and fully paid: At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<hr/> 3,600,000,000	<hr/> 360,000
	<hr/>	<hr/>

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHTS

The analysis of the Group's financial results, by business segments, for the six months ended 30 June 2022 and 2021 is set out in details below:

	Revenue			Gross profit margin			Profit attributable to shareholders of the Company		
	2022 HK\$'000	2021 HK\$'000	Change %	2022 %	2021 %	Change %	2022 HK\$'000	2021 HK\$'000	Change %
Environment hygiene services	1,922,785	1,636,624	17.5%	21.7%	27.4%	(5.7)%	156,948	193,059	(18.7)%
<b>Hazardous waste treatment business</b>									
– Hazard-free waste disposal projects	182,282	221,476	(17.7)%	18.1%	43.1%	(25.0)%	21,550	61,919	(65.2)%
– Recycling and reuse projects	119,852	119,546	0.3%	15.3%	34.6%	(19.3)%	5,313	33,037	(83.9)%
Subtotal	302,134	341,022	(11.4)%	17.0%	40.1%	(23.1)%	26,863	94,956	(71.7)%
Others	169,964	133,230	27.6%	12.2%	25.6%	(13.4)%	8,150	16,082	(49.3)%
<b>Business results</b>	<b>2,394,883</b>	<b>2,110,876</b>	13.5%	<b>20.4%</b>	29.3%	(8.9)%	<b>191,961</b>	<b>304,097</b>	(36.9)%
Corporate and other unallocated income and expenses, net							(31,478)	(55,564)	(43.3)%
<b>Total</b>							<b>160,483</b>	<b>248,533</b>	(35.4)%

## **IMPACTS OF COVID-19**

Due to the COVID-19 pandemic in the PRC during the first half of 2022, the PRC central government has implemented various contingency measures and policies to prevent and control the spread of COVID-19 pandemic. Strict COVID-19 related measures such as regular nucleic acid testing arrangement, set up of lockdown zones, entry restrictions and temporary suspension of factory production have inevitably led to a temporary economic downturn in the PRC during the first half of 2022.

The Group's environmental hygiene services projects were, however, not affected by the COVID-19 pandemic in 2022. As vast majority of the Group's environmental hygiene service projects are under fixed long-term contracts, it provides a stable income stream to the Group's revenue. In addition, during the six months ended 30 June 2022, the Group had won 10 new environmental hygiene services projects via tendering process. Accordingly, the revenue from the Group's environmental hygiene service projects for the six months ended 30 June 2022 increased by 17.5% as compared with corresponding period in 2021.

On the other hand, as business activities were affected in some of the areas of the PRC due to the COVID-19 pandemic, certain operations of the Group's customers of the hazardous waste treatment services were affected. Some of the operations of these customers' factories were suspended during the second quarter of 2022 due to the temporary lockdown in the region, which in turn, affected the demand in the Group's hazardous waste treatment services. Accordingly, the actual treatment and the sales volume of the Group's hazard-free waste disposal projects and recycling and reuse projects had decreased by 20.3% and 30.3%, respectively, during the six months ended 30 June 2022 as compared with that of the same period in 2021.

Following the re-opening of the lockdown area, the operations of factories are gradually restored to normal in the second half of 2022. The overall actual treatment and sales volume of the Group's hazardous waste treatment services projects in July 2022 had increased by 7.7%, when compared with the average monthly treatment of the first half of 2022.

## **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. The Group's 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 RMB227.0 billion in 2017 to RMB309.1 billion in 2021, and is expected to further increase to RMB347.2 billion and RMB534.8 billion in 2022 and 2026, 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 29.7% of the total market in 2017 whereas the share of the enterprise sector as a percentage of the total market increased to 60.5% in 2021, and is expected to further increase to 81.5% in 2026.

As at 30 June 2022, the Group had 134 environmental hygiene services projects, the movements of which, during the six months ended 30 June 2022, were as follow:

	<b>Number of projects</b>
As at 1 January 2022	128
Newly added	10
Terminated to operate	(4)
	<hr/>
As at 30 June 2022	<u>134</u>

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

<b>Operating Models</b>	<b>Number of projects</b>
Operation & Maintenance (“ <b>O&amp;M</b> ”)	130
Public-Private-Partnership (“ <b>PPP</b> ”) – Transfer-Operate-Transfer project	4
	<hr/>
Total	<u>134</u>

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 2022, the Group successfully won a total of 10 environmental hygiene service projects through public tenders with total contract value and estimated annual revenue amounting to approximately HK\$3.6 billion and HK\$627.2 million, respectively. During the six months ended 30 June 2022, the Group had recorded a total amount of approximately HK\$118.4 million as revenue in respect of these 10 projects.

As at 30 June 2022, the Group had a total contracted area of approximately 228.0 million sq.m. (31 December 2021: 226.4 million sq.m.) with its environmental hygiene service projects, which created an average revenue of approximately HK\$6.3 per sq.m. (six months ended 30 June 2021: HK\$6.4 per sq.m.).

## **Hazardous waste treatment business**

Hazardous waste treatment business comprises the provision of hazard-free waste disposal services and recycling and reuse of materials from industrial waste services.

According to a report by Frost & Sullivan, a global market research and consulting firm, from 2017 to 2021, the disposal volume of hazardous waste in China increased from 65.8 million tons to 99.5 million tons. 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.

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

The Group's recycling and reuse of materials from industrial waste services mainly dedicated to provide waste methanol and mixed alcohol recycling service. By recycling waste methanol and mixed alcohol acquired by the Group, through its advanced recycling and reuse technology, the Group is able to produce recycled alcohol related products such as methanol, ethanol, propanol and butanol and generates revenue from sales of these products.

As at 30 June 2022, the Group had 8 hazardous waste treatment projects in operation. As of 30 June 2022, 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 2021: 351,016 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 2021: 250,000 tons), as of the same date. As of 30 June 2022, the Group also had 4 projects under construction.

## **Other business**

Other business represents waste electrical and electronic equipment treatment business. As of 30 June 2022, the Group had two 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 2022, revenue from our waste electrical and electronic equipment treatment business amounted to approximately HK\$170.0 million (six months ended 30 June 2021: HK\$133.2 million), representing approximately 7.1% (six months ended 30 June 2021: 6.3%) of the Group's total revenue.

## **FINANCIAL PERFORMANCE**

### **Revenue and gross profit margin**

The Group's total revenue increased to HK\$2,394.9 million for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$2,110.9 million), primarily due to the net effect of (i) increase in revenue from the Group's environmental hygiene services; and (ii) decrease in revenue from the Group's hazardous waste treatment services.

#### *Environmental hygiene services*

During the six months ended 30 June 2022, the Group recorded a total revenue of HK\$1,922.8 million (six months ended 30 June 2021: HK\$1,636.6 million) from its environmental hygiene service projects. As at 30 June 2022, the Group had a total of 134 environmental hygiene service projects (30 June 2021: 113).

The gross profit margin of the Group's environmental hygiene services projects decreased from 27.4% for the six months ended 30 June 2021 to 21.7% for the six months ended 30 June 2022, partly because there was a value-added-tax relief (“**VAT Relief**”) granted by the local government in the PRC due to the COVID-19 pandemic in 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). There were no such kind of relief granted by the local government in the PRC during the six months ended 30 June 2022.

The following table sets forth the financial impacts of the VAT Relief on the revenue and gross profit margin of the Group's environmental hygiene services projects for the six months ended 30 June 2022:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Environmental hygiene services		
Revenue	<b>1,922,785</b>	1,636,624
Less: VAT Relief	<u>–</u>	<u>(38,939)</u>
Revenue excluding VAT Relief	<b>1,922,785</b>	1,597,685
Less: Cost of sales	<b>1,505,278</b>	1,188,760
Gross profit excluding VAT Relief	<b>417,507</b>	408,925
Gross profit margin excluding VAT Relief	<b>21.7%</b>	25.6%

The gross profit margin (excluding the effect of the VAT Relief) of the Group's environmental hygiene services projects decreased to approximately 21.7% for the six months ended 30 June 2022 from 25.6% during the six months ended 30 June 2021, mainly due to the increase in labour costs and prices of gasoline and diesel fuel.

During the six months ended 30 June 2022, the minimum wages of certain cities or provinces (e.g. Beijing, Shanxi Province, Shandong Province and Guangdong Province, etc) in which the Group operates its environmental hygiene services projects were adjusted upward pursuant to the notices of minimum wages issued by the local government in the PRC. As labour costs of the Group's environmental hygiene services workers account for a significant part of the Group's direct costs, the gross profit margin of the Group's environmental hygiene services projects decreased. In addition, the price of gasoline and diesel fuel have been on an increasing trend from the second half of 2021 onwards. During the six months ended 30 June 2022, the average prices of gasoline and diesel fuel had increased significantly by approximately 24% and 27%, respectively, when compared with the average prices for the year ended 31 December 2021. As gasoline and diesel fuel account for a significant part of the direct costs of the Group's environmental hygiene services projects, the gross profit margin of the Group's environmental hygiene services projects further decreased.

### Hazardous waste treatment services

During the six months ended 30 June 2022, the Group recorded a total revenue of HK\$302.1 million (six months ended 30 June 2021: HK\$341.0 million) from its hazardous waste treatment services projects. Due to the continuous outbreak of the COVID-19 pandemic in the second quarter of 2022, the businesses of the customers of the Group's hazardous waste treatment services projects were affected, which in turn led to the decrease in the actual treatment of the Group's hazard-free waste disposal projects.

The Group's gross profit margin of its hazardous waste treatment services projects decreased from 40.1% for the six months ended 30 June 2021 to 17.0% for the six months ended 30 June 2022.

The following table sets forth an analysis of the actual treatment or sales volume and 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
	2022	2021		2022	2021		2022	2021	
Revenue (HK\$'000)	<b>182,282</b>	221,476	(17.7)%	<b>119,852</b>	119,546	0.3%	<b>302,134</b>	341,022	(11.4)%
Actual treatment/									
sale volume (tons)	<b>85,024</b>	106,643	(20.3)%	<b>20,749</b>	29,780	(30.3)%	<b>105,773</b>	136,423	(22.5)%
Average sales price (HK\$/ton)	<b>2,144</b>	2,077	3.2%	<b>5,776</b>	4,014	43.9%	<b>2,856</b>	2,500	14.2%

The actual treatment of the Group's hazard-free waste disposal projects decreased from 106,643 tons for the six months ended 30 June 2021 to 85,024 tons for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in actual treatment volume provided by the Group's Industrial Solid Waste Disposal Center Project in Shandong Province\* (山東省工業固體廢物處置中心項目) and Yaojiagang Industrial Waste Treatment and Recycling Project in Yichang City\* (宜昌市姚家港工業廢物處理及資源化項目) to 40,602 tons and 19,252 tons for the six months ended 30 June 2022 (six months ended 30 June 2021: 51,413 tons and 31,477 tons), respectively.

The average sales price of the Group's hazard-free waste disposal projects increased from HK\$2,077 per ton for the six months ended 30 June 2021 to HK\$2,144 per ton for the six months ended 30 June 2022.

The gross profit margin of the Group's hazard-free waste disposal projects decreased to 18.1% for the six months ended 30 June 2022 (six months ended 30 June 2021: 43.1%). The decrease was mainly attributable to (i) increase in purchase prices of direct costs such as sodium hydroxide and other consumables; and (ii) increase in operating fixed costs such as depreciation, incurred from phase 2 project located in Shandong Province in the amount of approximately HK\$15.5 million.

The average sales price of the Group's recycling and reuse projects increased from HK\$4,014 per ton for the six months ended 30 June 2021 to HK\$5,776 per ton for the six months ended 2022 due to the continuous increase in the market price of methanol and ethanol during the six months ended 30 June 2022. However, due to the significant increase in the procurement costs of waste methanol and mixed alcohol during the six months ended 30 June 2022, the gross profit margin of the Group's recycling and reuse projects decreased from 34.6% for the six months ended 30 June 2021 to 15.3% for the six months ended 30 June 2022.

#### *Administrative expenses*

Administrative expenses for the six months ended 30 June 2022 increased to HK\$220.0 million, as compared to the corresponding period in 2021 of HK\$196.2 million. The increase was mainly due to the increase in salaries, wages and welfare and office expenses in the amount of HK\$15.7 million and HK\$6.5 million, respectively, as a result of continuous business expansion.

#### *Finance costs*

Finance costs mainly comprised of interests on bank and other borrowings and lease liabilities of HK\$45.9 million (six months ended 30 June 2021: HK\$38.4 million). The increase in finance costs was mainly due to the increase in the market interest rates of the Group's bank borrowings during the six months ended 30 June 2022.

#### *Income tax expense*

The income tax expense decreased from HK\$100.7 million for the six months ended 30 June 2021 to HK\$62.1 million for the six months ended 30 June 2022, mainly because of the decrease in the operating taxable profits of the Group's environmental hygiene services projects and hazardous waste treatment services projects.

### *Property, plant and equipment*

Property, plant and equipment consist of buildings, plant and machinery, furniture, fixtures and equipment, motor vehicles and construction in progress. The increase in property, plant and equipment during the six months ended 30 June 2022 was mainly due to the net effect of (i) purchase of motor vehicles mainly for environmental hygiene services projects in the amount of HK\$346.5 million; (ii) additions of construction in progress for hazardous waste treatment projects and environmental hygiene services projects in the amount of HK\$122.1 million; (iii) depreciation provided during the six months ended 30 June 2022 in the amount of HK\$178.0 million; and (iv) change in exchange rate differences on foreign exchange translation in the amount of HK\$105.7 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\$25.1 million; and (ii) depreciation provided during the six months ended 30 June 2022 in the amount of HK\$19.7 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. Decrease in operating concessions was mainly due to amortisation provided during the six months ended 30 June 2022 in the amount of HK\$27.7 million.

### *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:

	<b>30 June 2022</b>	31 December 2021
Average trade and bills receivable turnover days ( <i>days</i> )	<u>131</u>	<u>111</u>

### *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. Decrease in the contract assets was mainly due to certain construction services had been provided and completed.

### *Prepayments, deposit and other receivables*

Increase in prepayments, deposit and other receivables was mainly due to the increase in prepayment for purchase of inventories in the amount of HK\$13.0 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 mechanised 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, dividend payable and lease liabilities. The increase was mainly due to (i) increase in dividend payable for the final dividend proposed for the year ended 31 December 2021 in the amount of HK\$108 million; and (ii) increase in payable for acquisition of property, plant and equipment in the amount of HK\$173.5 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 2022 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 2022, the Group's cash and cash equivalents amounted to approximately HK\$1,547.5 million (31 December 2021: approximately HK\$1,688.9 million).

As at 30 June 2022, the Group's bank and other borrowings amounted to HK\$2,361.9 million (31 December 2021: HK\$2,315.8 million).

The net gearing ratio (defined as bank and other borrowings, net of cash and cash equivalents, divided by the total equity) was 19.9% as at 30 June 2022 (31 December 2021: 14.9%).

### *Capital expenditure*

During the six months ended 30 June 2022, the Group's total capital expenditures were HK\$542.8 million (six months ended 30 June 2021: HK\$362.9 million), out of which HK\$514.1 million, HK\$25.1 million, nil and HK\$3.6 million (six months ended 30 June 2021: HK\$352.6 million, HK\$8.1 million, HK\$1.4 million and HK\$0.8 million) were paid for the additions of property, plant and equipment, right-of-use assets, operating concession and other intangible assets, respectively.

## **FUTURE OUTLOOK**

The COVID-19 pandemic continues to evolve in 2022. The rapid spread of the COVID-19 variant indicates that the effects of the pandemic are far from over. Despite of that, the PRC central government has been imposing precautionary measures such as injection of COVID-19 vaccines and quarantine of infected patients, to safeguard the public health and to allow the resuming of normal business activities. The Group believes that the overall PRC economy will continue to recover in the second half of 2022.

The Group intends to participate in more tendering process for new environmental hygiene services 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 recover in the second half of 2022 due to the gradual recovery of the overall PRC economy.

In addition, the Group persists in the “green and low-carbon” (綠色低碳) 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. In particular, while serving to improve the urban and rural environment, the Group continues to try to increase the usage of new energy vehicles in its projects so as to reduce pollution emission.

## **CHARGES ON THE GROUP'S ASSETS**

The secured bank and other borrowings of the Group as at 30 June 2022 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 2022 and 31 December 2021; 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 2022 and 31 December 2021.

Save as disclosed above, as at 30 June 2022, 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 2021: 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 2022, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2022, the Group employed 50,436 employees (30 June 2021: 39,737 employees) with total staff cost of approximately HK\$1,040.7 million incurred for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$861.6 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**

There were no significant investments, material acquisition and disposal of subsidiaries by the Group during the six months ended 30 June 2022.

## **INTERIM DIVIDEND**

The Board declared an interim dividend of HK1 cent per ordinary share for the six months ended 30 June 2022, payable to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 15 September 2022.

## **CLOSURES OF REGISTER OF MEMBERS**

The register of members will be closed from Tuesday, 13 September 2022 to Thursday, 15 September 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 September 2022. The interim dividend is expected to be paid on or around Friday, 7 October 2022.

## **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 2022.

## **IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REVIEW PERIOD**

There was no other important event affecting the Group since 30 June 2022 and up to the date of this announcement.

## **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 Listing Rules throughout the six months ended 30 June 2022.

## **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 2022.

## **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 2022 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.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of the Company (www.beur.net.cn) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

## **APPRECIATION**

The Board would like to express its sincere thanks to our shareholders and business partners for their continuous support and our staff for their dedication and hard work throughout the reporting period.

By order of the Board  
**Beijing Enterprises Urban Resources Group Limited**  
**Zhou Min**  
*Chairman*

Hong Kong, 26 August 2022

*As at the date of this announcement, the executive Directors of the Company are Mr. Zhou Min (Chairman), Mr. Zhao Kexi (Chief Executive Officer), Mr. Li Haifeng, Mr. Li Li and Mr. Zhou Chen; and the independent non-executive Directors of the Company are Mr. Orr Ka Yeung, Kevin, Mr. Wu Tak Kong and Dr. Du Huanzheng.*

\* *For identification purpose only*