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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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

- The Group recorded a revenue of approximately RMB5,057.6 million for the year ended 31 December 2023, representing an increase of approximately 18.9% as compared with that of approximately RMB4,253.4 million for the year ended 31 December 2022.
- Profit for the year attributable to shareholders of the Company increased by approximately 19.3% to approximately RMB284.7 million for the year ended 31 December 2023 as compared to approximately RMB238.6 million for the year ended 31 December 2022.
- Basic and diluted earnings per share for the year ended 31 December 2023 were approximately RMB7.91 cents (31 December 2022: RMB6.63 cents).
- During the year ended 31 December 2023, the Group successfully won 52 new urban services projects (2022: 35 projects) through public tenders with total contract value and estimated annual revenue amounting to approximately RMB5.4 billion and RMB1.0 billion, respectively.
- A final dividend of HK1.5 cents per share is proposed for the year ended 31 December 2023. Full-year dividend is HK2.7 cents, the dividend payout ratio is approximately 30.7%.

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Enterprises Urban Resources Group Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 and the consolidated statement of financial position of the Group as at 31 December 2023, together with comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	<i>Notes</i>	2023 RMB’000	2022 RMB’000 (restated)
REVENUE	3	5,057,613	4,253,403
Cost of sales		<u>(4,034,791)</u>	<u>(3,387,704)</u>
Gross profit		1,022,822	865,699
Other income and gains, net	3	97,021	71,027
Administrative expenses		(523,706)	(408,301)
Selling and distribution expenses		(26,279)	(20,515)
Other expenses, net		(30,937)	(49,843)
Finance costs	5	(113,978)	(91,610)
Share of profits of joint ventures		<u>441</u>	<u>1,244</u>
PROFIT BEFORE TAX	4	425,384	367,701
Income tax expense	6	<u>(86,044)</u>	<u>(96,205)</u>
PROFIT FOR THE YEAR		<u>339,340</u>	<u>271,496</u>
Attributable to:			
Owners of the parent		284,734	238,579
Non-controlling interests		<u>54,606</u>	<u>32,917</u>
		<u>339,340</u>	<u>271,496</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	7		
Basic and diluted		<u>7.91 cents</u>	<u>6.63 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

Year ended 31 December 2023

	2023 RMB'000	2022 <i>RMB'000</i> (restated)
PROFIT FOR THE YEAR	339,340	271,496
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
– Translation of foreign operations	(39,628)	(130,126)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
– Translation of the Company	<u>31,794</u>	<u>111,220</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	<u>(7,834)</u>	<u>(18,906)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>331,506</u>	<u>252,590</u>
Attributable to:		
Owners of the parent	276,900	219,673
Non-controlling interests	<u>54,606</u>	<u>32,917</u>
	<u>331,506</u>	<u>252,590</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

		2023	2022	2021
	Notes	RMB'000	RMB'000 (restated)	RMB'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment		2,609,776	2,561,940	2,253,382
Right-of-use assets		309,073	341,242	340,621
Goodwill		247,954	247,954	247,954
Service concession arrangements		482,197	266,224	326,129
Other intangible assets		15,962	7,877	4,950
Prepayments, deposits and other receivables		69,527	62,598	67,656
Investments in joint ventures		35,816	34,530	33,287
Equity investment designated at fair value through other comprehensive income		5,000	5,000	5,000
Trade receivables	9	–	25,763	26,902
Deferred tax assets		66,228	57,500	32,442
Total non-current assets		3,841,533	3,610,628	3,338,323
CURRENT ASSETS				
Inventories		54,117	51,024	60,739
Service concession arrangements		–	17,508	19,400
Trade and bills receivables	9	2,494,426	1,967,160	1,268,553
Environmental decommissioning fees receivable	10	367,497	354,151	323,844
Other tax recoverable		150,413	113,788	144,546
Prepayments, deposits and other receivables		125,989	153,805	134,781
Restricted cash and pledged deposits		12,068	19,407	23,149
Cash and cash equivalents		1,080,749	1,408,854	1,384,900
Total current assets		4,285,259	4,085,697	3,359,912
TOTAL ASSETS		8,126,792	7,696,325	6,698,235

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i> (restated)	2021 <i>RMB'000</i> (restated)
CURRENT LIABILITIES				
Trade and bills payables	<i>11</i>	447,062	341,556	225,478
Other payables and accruals		809,990	888,869	767,998
Other taxes payable		33,340	23,990	20,141
Income tax payable		33,439	51,290	22,334
Interest-bearing bank and other borrowings	<i>12</i>	1,270,109	766,727	330,453
Total current liabilities		2,593,940	2,072,432	1,366,404
NET CURRENT ASSETS		1,691,319	2,013,265	1,993,508
TOTAL ASSETS LESS CURRENT LIABILITIES		5,532,852	5,623,893	5,331,831
NON-CURRENT LIABILITIES				
Deferred income		160,092	177,115	149,110
Other payables and accruals		62,960	99,207	82,259
Deferred tax liabilities		42,190	32,270	33,472
Interest-bearing bank and other borrowings	<i>12</i>	1,292,030	1,704,191	1,568,525
Provision for major overhauls		123,532	37,949	34,492
Total non-current liabilities		1,680,804	2,050,732	1,867,858
NET ASSETS		3,852,048	3,573,161	3,463,973
EQUITY				
Equity attributable to owners of the parent				
Share capital	<i>13</i>	317,405	317,405	317,405
Reserves		2,844,375	2,640,355	2,546,380
		3,161,780	2,957,760	2,863,785
Non-controlling interests		690,268	615,401	600,188
TOTAL EQUITY		3,852,048	3,573,161	3,463,973

NOTES TO FINANCIAL STATEMENTS

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 ultimate and immediate holding company of the Company.

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

- provision of urban 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

The financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investment which has been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Change of presentation currency

The Group’s presentation currency for its consolidated financial statements has been changed from Hong Kong dollars (“**HK\$**”) to RMB from 1 January 2023. As most of the Group’s transactions are denominated and settled in RMB, the Board considers that RMB is more appropriate as the presentation currency for the Group’s consolidated financial statements. Further, the Board considers that the change of presentation currency will enable the shareholders and potential investors of the Company to have a clearer picture of the Group’s actual financial performance. The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative amounts in the consolidated financial statements are presented as if RMB had always been the presentation currency of the consolidated financial statements. The Group has also presented the consolidated statement of financial position as at 31 December 2021 without related notes.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The quantitative impact on the financial statements is summarised below.

Impact on the consolidated statements of financial position:

	As at 31 December 2023 RMB'000	Increase As at 31 December 2022 RMB'000	As at 1 January 2022 RMB'000
Assets			
Deferred tax assets (Note)	2,992	2,756	3,006
Total non-current assets	2,992	2,756	3,006
Total assets	<u>2,992</u>	<u>2,756</u>	<u>3,006</u>
Net assets	<u>2,992</u>	<u>2,756</u>	<u>3,006</u>
Equity			
Retained profits (included in other reserves)	2,992	2,756	3,006
Equity attributable to owners of the parent	2,992	2,756	3,006
Non-controlling interests	–	–	–
Total equity	<u>2,992</u>	<u>2,756</u>	<u>3,006</u>

Note: The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Impact on the consolidated statements of profit or loss:

	Increase/(decrease) For the year ended 31 December	
	2023 RMB'000	2022 RMB'000
Income tax expense	(236)	250
Profit for the year	<u>236</u>	<u>(250)</u>
Attributable to:		
Owners of the parent	236	(250)
Non-controlling interests	–	–
	<u>236</u>	<u>(250)</u>
Total comprehensive income for the year	<u>236</u>	<u>(250)</u>
Attributable to:		
Owners of the parent	236	(250)
Non-controlling interests	–	–
	<u>236</u>	<u>(250)</u>

The adoption of amendments to HKAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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 urban services segment provides urban environmental governance services and construction 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 for the year attributable to owners of the parent. The adjusted profit for the year attributable to owners of the parent is measured consistently with the Group's profit for the year attributable to owners of the parent except that corporate and other unallocated income and expenses are excluded from such measurement.

	Urban services		Hazardous waste treatment		Others		Total	
	2023 RMB'000	2022 RMB'000 (restated)	2023 RMB'000	2022 RMB'000 (restated)	2023 RMB'000	2022 RMB'000 (restated)	2023 RMB'000	2022 RMB'000 (restated)
Segment revenue (note 3)	4,343,559	3,460,927	546,759	526,580	167,295	265,896	5,057,613	4,253,403
Cost of sales	(3,428,821)	(2,705,811)	(452,448)	(429,594)	(153,522)	(252,299)	(4,034,791)	(3,387,704)
Gross profit	914,738	755,116	94,311	96,986	13,773	13,597	1,022,822	865,699
Segment results	468,073	420,280	26,256	6,748	15,118	8,033	509,447	435,061
Corporate and other unallocated income and expenses, net:								
– Corporate gains							7,365	811
– Finance costs							(61,331)	(28,973)
– Corporate and other unallocated expenses							(30,097)	(39,198)
							(84,063)	(67,360)
Profit before tax							425,384	367,701
Income tax expense							(86,044)	(96,205)
Profit for the year							339,340	271,496
Segmental profit for the year	387,372	326,901	20,845	2,522	15,186	9,433	423,403	338,856
Non-controlling interests	(48,032)	(51,842)	1,805	22,980	(8,379)	(4,055)	(54,606)	(32,917)
Owners of the parent	339,340	275,059	22,650	25,502	6,807	5,378	368,797	305,939
Corporate and other unallocated income and expenses, net							(84,063)	(67,360)
							284,734	238,579
Other segment information:								
Share of profit/(loss) of joint ventures	1,637	–	(1,196)	1,244	–	–	441	1,244
Impairment losses and write-down of inventory to net realisable value recognised in the consolidation statement of profit or loss, net	6,720	30,000	2,379	9,396	–	–	9,099	39,396
Depreciation and amortisation	444,814	350,016	105,173	89,351	7,204	6,278	557,191	445,645
Capital expenditure*	650,382	566,908	268,005	171,018	1,332	3,517	919,719	741,443

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets, service concession arrangements 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 PRC during the year.
- (b) Over 90% of the Group's non-current assets were derived from the Group's operations in the PRC during the year.

Information about major customers

During the years ended 31 December 2023 and 2022, no revenue from transactions with a single external customer contributed over 10% of the total revenue of the Group.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

	<i>Notes</i>	2023 RMB'000	2022 RMB'000 (restated)
Revenue from contract with customers			
Urban services			
– Urban environmental governance services	<i>(a)</i>	4,060,872	3,460,927
– Construction services	<i>(a)</i>	282,687	–
		<u>4,343,559</u>	<u>3,460,927</u>
Hazardous waste treatment businesses			
– Hazard-free waste disposal services	<i>(a)</i>	314,480	308,043
– Sale of recycling and reuse products	<i>(a)</i>	232,279	218,537
		<u>546,759</u>	<u>526,580</u>
Sale of dismantled products	<i>(a)</i>	110,959	192,918
		<u>5,001,277</u>	<u>4,180,425</u>
Revenue from other source			
Environmental decommissioning fees income		56,336	72,978
		<u>5,057,613</u>	<u>4,253,403</u>
Other income and gains, net			
Interest income		16,564	17,853
Government grants	<i>(b)</i>	29,415	22,254
VAT refunds	<i>(c)</i>	10,914	3,866
VAT super deduction	<i>(d)</i>	16,619	9,523
Gain on modification of lease		–	2,620
Gain on disposal of items of property, plant and equipment		7,536	2,972
Others		15,973	11,939
		<u>97,021</u>	<u>71,027</u>

Notes:

(a) Disaggregated revenue information

Revenue from urban environmental governance services and construction services is recognised over time. Revenue from hazard-free waste disposal services, sale of recycling and reuse products and sale of dismantled products is recognised at a point in time.

(b) The government grants recognised during the year 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.

(d) Certain subsidiaries are also entitled to an additional VAT super deduction of 10% to 15% of the input VAT under the rules issued by the PRC State Administration of Taxation, the Ministry of Finance and the General Administration of Customs China.

4. PROFIT BEFORE TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Cost of inventories sold*	325,520	434,551
Cost of services provided*	3,642,617	2,906,591
Depreciation of property, plant and equipment	446,191	362,288
Depreciation of right-of-use assets	42,396	35,879
Amortisation of service concession arrangements*	66,654	46,562
Amortisation of intangible assets	1,950	916
(Reversal of write-down)/write-down of inventories to net realisable value#	(1,901)	6,396
Impairment losses of trade receivables, net#	11,000	33,000
Provision for major overhaul	2,466	1,876
Lease payments under short term leases	59,047	37,584
Gain on disposal of items of property, plant and equipment@	(7,536)	(2,972)
Loss/(gain) on modification of a lease#/@	347	(2,620)
Auditor's remuneration	3,420	3,268
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Salaries and benefits in kind	2,215,128	1,925,534
Pension scheme contributions	259,260	216,652
Total	<u>2,474,388</u>	<u>2,142,186</u>

* Included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

Included in "Other expenses, net" in the consolidated statement of profit or loss and other comprehensive income.

@ Included in "Other income and gains, net" in the consolidated statements of profit or loss and other comprehensive income.

5. FINANCE COSTS

	2023 RMB'000	2022 <i>RMB'000</i> (restated)
Interest on bank borrowings	106,692	87,963
Interest on lease liabilities	6,009	6,501
Interest on amount due to non-controlling shareholders	–	2,915
	<hr/>	<hr/>
Total interest on bank and other borrowings	112,701	97,379
Increase in discounted amounts of provision for major overhaul arising from the passage of time	6,781	1,581
	<hr/>	<hr/>
Total finance costs	119,482	98,960
Less: Interest capitalised	(5,504)	(7,350)
	<hr/>	<hr/>
	113,978	91,610
	<hr/> <hr/>	<hr/> <hr/>

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the year (2022: Nil).

The income tax provisions in respect of operations in Chinese Mainland are calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Chinese Mainland, a number of the Company's subsidiaries enjoy income tax exemptions and reductions, because (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 Chinese Mainland 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 Chinese Mainland.

	2023 RMB'000	2022 <i>RMB'000</i> (restated)
Current – Chinese Mainland charge for the year	84,852	122,465
Deferred	1,192	(26,260)
	<hr/>	<hr/>
Total tax charge for the year	86,044	96,205
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7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares in issue less treasury shares of 3,599,901,326 for the year ended 31 December 2023 (2022: 3,600,000,000).

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	<u><u>284,734</u></u>	<u><u>238,579</u></u>
Number of ordinary shares		
Weighted average number of ordinary shares in issue less treasury shares, used in the basic and diluted earnings per share calculations	<u><u>3,599,901,326</u></u>	<u><u>3,600,000,000</u></u>

8. DIVIDENDS

The Board recommended the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2023 (2022: HK1 cent), subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. TRADE AND BILLS RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Trade receivables	2,536,528	2,019,377
Less: Impairment	<u>(55,674)</u>	<u>(44,674)</u>
	<u><u>2,480,854</u></u>	<u><u>1,974,703</u></u>
Bills receivable	<u>13,572</u>	<u>18,220</u>
	<u><u>2,494,426</u></u>	<u><u>1,992,923</u></u>
Portion classified as current assets	<u><u>(2,494,426)</u></u>	<u><u>(1,967,160)</u></u>
Non-current portion	<u><u>–</u></u>	<u><u>25,763</u></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:

	2023 RMB'000	2022 <i>RMB'000</i> (restated)
Within 3 month	1,130,234	955,477
4 to 6 months	507,607	580,951
7 to 12 months	536,089	216,816
Over 1 year	306,924	195,696
	2,480,854	1,948,940
Unbilled	–	25,763
	2,480,854	1,974,703

10. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	2023 RMB'000	2022 <i>RMB'000</i> (restated)
Environmental decommissioning fees receivable	367,497	354,151

The balance represented government subsidies receivable from the Central Government of the People's Republic of China (“**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. Auditor reports 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 about 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 4 to 5 years.

The Group does not hold any collateral over these balances.

11. TRADE AND BILLS PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Trade payables	437,062	316,206
Bills payable	10,000	25,350
	447,062	341,556

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Within 1 month	107,088	81,342
1 to 2 months	55,379	42,223
2 to 3 months	51,362	34,534
Over 3 months	223,233	158,107
	437,062	316,206

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Secured bank loans	794,870	750,337
Unsecured bank loans	1,767,269	1,720,581
Total bank and other borrowings	2,562,139	2,470,918
Portion classified as current liabilities	(1,270,109)	(766,727)
Non-current portion	1,292,030	1,704,191

13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:		
At 1 January 2022, 31 December 2022		
1 January 2023 and 31 December 2023	<u>30,000,000,000</u>	<u>3,000,000</u>
	Number of shares in issue of HK\$0.1 each	Share capital <i>RMB'000</i> (restated)
Issued and fully paid:		
At 1 January 2022, 31 December 2022		
1 January 2023 and 31 December 2023	<u>3,600,000,000</u>	<u>317,405</u>

14. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2022 has been presented.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

The analysis of the Group's financial results, by business segments, for the years ended 31 December 2023 and 2022 is set out in details below:

	Revenue			Gross profit margin			Profit attributable to shareholders of the Company		
	2023 RMB'000	2022 RMB'000	Change %	2023 %	2022 %	Change %	2023 RMB'000	2022 RMB'000	Change %
Urban services									
– Urban environmental governance services	4,060,872	3,460,927	17.3%	22.0%	21.8%	0.2%			
– Construction services	282,687	–	N/A	8.0%	N/A	N/A			
Subtotal	4,343,559	3,460,927	25.5%	21.1%	21.8%	(0.7)%	339,340	275,059	23.4%
Hazardous waste treatment business									
– Hazard-free waste disposal projects	314,480	308,043	2.1%	17.7%	18.7%	(1.0)%	9,448	10,914	(13.4)%
– Recycling and reuse projects	232,279	218,537	6.3%	16.7%	18.0%	(1.3)%	13,202	14,588	(9.5)%
Subtotal	546,759	526,580	3.8%	17.2%	18.4%	(1.2)%	22,650	25,502	(11.2)%
Others	167,295	265,896	(37.1)%	8.2%	5.1%	3.1%	6,807	5,378	26.6%
Business results	<u>5,057,613</u>	<u>4,253,403</u>	18.9%	20.2%	20.4%	(0.2)%	<u>368,797</u>	<u>305,939</u>	20.6%
Corporate and other unallocated income and expenses, net							(84,063)	(67,360)	24.8%
Total							<u>284,734</u>	<u>238,579</u>	19.3%

BUSINESS REVIEW

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

Urban services

Urban 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 urban services. The Group's urban 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 (the "Urban environmental governance services").

As at 31 December 2023, the Group had 186 urban services projects, the movements of which, during the year ended 31 December 2023, were as follow:

	Number of projects
As at 1 January 2023	152
Newly added	52
Terminated to operate	(18)
	<hr/>
As at 31 December 2023	186
	<hr/> <hr/>

The Group operates its urban services projects under the following models:

Operating Models	Number of projects
Operation & Maintenance (“ O&M ”)	179
Public-Private-Partnership (“ PPP ”)	
• Build-Operate-Transfer (“ BOT ”)	3
• Transfer-Operate-Transfer	4
	<hr/>
Total	186
	<hr/> <hr/>

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 utilising 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 year ended 31 December 2023, the Group successfully won a total of 52 urban services projects through public tenders with total contract value and estimated annual revenue amounting to approximately RMB5.4 billion and RMB1.0 billion, respectively. During the year ended 31 December 2023, the Group had recognised a total amount of approximately RMB196.3 million as revenue in respect of these 52 projects.

Hazardous waste treatment business

Hazardous waste treatment business comprises the provision of hazard-free waste disposal services and sale of recycling and reuse products.

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.

By recycling waste methanol and mixed alcohol acquired by the Group, through its advanced recycling and reuse technology, the Group is able to produce related products such as methanol, ethanol, propanol and butanol and generates revenue from sales of these products. In addition, the reutilization technology also covers the storage, transportation, treatment, dehydration and product separation systems of silicon copper slag and etching solution wastewater, deodorization facilities and related auxiliary facilities. The wet disposal process is used to separate and recycle silicon copper slag, which becomes a useful supplement to the hazard-free business.

As at 31 December 2023, the Group had 11 hazardous waste treatment projects (2022: 9 projects) in operation. As of 31 December 2023, treatment facilities of our projects that engaged in hazard-free waste disposal had a total designed treatment capacity of 423,366 tons per annum (2022: 351,016 tons) and treatment facilities of projects that engaged in recycling and reuse had a total designed treatment capacity of 270,000 tons per annum (2022: 270,000 tons).

Other business

Other business represents waste electrical and electronic equipment treatment business. As of 31 December 2023, 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 equipment we dismantle include computers, refrigerators, television sets, washing machines and air conditioners.

For the year ended 31 December 2023, revenue from our waste electrical and electronic equipment treatment business amounted to approximately RMB167.3 million (2022: RMB265.9 million), representing approximately 3.3% (2022: 6.3%) of our total revenue.

FINANCIAL PERFORMANCE

Revenue and gross profit margin

The Group's total revenue increased by approximately 18.9% from approximately RMB4,253.4 million for the year ended 31 December 2022 to approximately RMB5,057.6 million for the year ended 31 December 2023, primarily due to increase in revenue from the Group's urban services.

The Group's gross profit margin decreased from 20.4% for the year ended 31 December 2022 to 20.2% for the year ended 31 December 2023, primarily due to decrease in gross profit margin from hazardous waste treatment business and relatively low gross margin from construction services of urban services projects.

Urban services

During the year ended 31 December 2023, the Group recorded a total revenue of approximately RMB4,343.6 million (year ended 31 December 2022: RMB3,460.9 million). As at 31 December 2023, the Group had a total of 186 urban services projects (31 December 2022: 152).

The following table sets forth an analysis of the gross profit margin of the Group's urban services:

	Urban environmental governance services			Construction services			Total		
	2023	2022	Change	2023	2022	Change	2023	2022	Change
Revenue (RMB'000)	4,060,872	3,460,927	17.3%	282,687	–	N/A	4,343,559	3,460,927	25.5%
Gross profit margin	22.0%	21.8%	0.2%	8.0%	–	N/A	21.1%	21.8%	(0.7)%

- Urban Environmental Governance Services

During the year ended 31 December 2023, the Group recorded a total revenue of approximately RMB4,060.9 million (year ended 31 December 2022: RMB3,460.9 million) from its urban services projects. The increase was mainly attributable to the greater number of urban services projects successfully won through public tenders.

The Group continuously focuses on enhancing operational efficiency and has incorporated advanced technology into the business processes. The Group requires municipal workers to wear smart devices with GPS trackers and installed remote fuel monitors on cleaning vehicles. This allows the Group to track real-time working progress of municipal workers as well as the cleaning vehicles' fuel usage. The data gathered through these devices is transmitted to the Group's cloud platform, where the integrated management platform conducts real-time surveillance and evaluation based on the data.

In addition, the Group won a number of urban services project tenders in South China region. The Group strategically allocated cleaning vehicles, labour and other resources to each project and executed centralised management in South China region to improve operational efficiencies.

All these measures and factors have facilitated the Group's efforts in enhancing operational efficiencies, resulting in an increase in the gross profit margin of the urban environmental governance services.

- Construction services

During the year ended 31 December 2023, the Group entered into 2 service concession contracts on a BOT basis in respect of its urban services. The urban services facilities under construction were located in Shandong Province and Hebei Province, respectively. During the year ended 31 December 2023, the Group recorded a total revenue of approximately RMB282.7 million (year ended 31 December 2022: Nil) from its construction services for urban services projects.

The gross profit margin of construction services was approximately 8.0% (year ended 31 December 2022: Nil). Under HK(IFRIC)-Int 12 *Service Concession Arrangements*, the Group recognises the construction revenue with reference to the fair value of the construction service delivered in the building phase. Construction revenue is recognised by using the percentage-of-completion method.

Hazardous waste treatment services

During the year ended 31 December 2023, the Group recorded a total revenue of RMB546.8 million (year ended 31 December 2022: RMB526.6 million) from its hazardous waste treatment services projects.

The Group's gross profit margin of its hazardous waste treatment services projects decreased from 18.4% for the year ended 31 December 2022 to 17.2% for the year ended 31 December 2023.

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		
	2023	2022	Change	2023	2022	Change	2023	2022	Change
Revenue (RMB'000)	314,480	308,043	2.1%	232,279	218,537	6.3%	546,759	526,580	3.8%
Actual treatment/sales volume (tons)	230,027	186,269	23.5%	54,867	48,212	13.8%	284,894	234,481	21.5%
Average sales price (RMB/ton)	<u>1,367</u>	<u>1,654</u>	<u>(17.3)%</u>	<u>4,233</u>	<u>4,533</u>	<u>(6.6)%</u>	<u>1,919</u>	<u>2,246</u>	<u>(14.6)%</u>

- Hazard-free waste disposal projects

As at 31 December 2023, the Group has 8 hazard-free waste disposal projects in operation. The plants were mainly located in Shandong Province and Jiangsu Province. Due to the recovery of economy in China, customers had resumed to operate their factories gradually during the year ended 31 December 2023. Accordingly, the actual treatment volume of the Group's hazard-free waste disposal projects increased from 186,269 tons for the year ended 31 December 2022 to 230,027 tons for the year ended 31 December 2023. The increase was mainly attributable to the increase in actual treatment volume treated 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), Weifang Beijing Enterprises Environmental Technical Limited* (濰坊北控環境技術有限公司), and Suining Hazardous Waste Treatment Project in Xuzhou City, Jiangsu Province* (江蘇省徐州市睢寧危險廢物處置項目).

* For identification purpose only

Since more rivals entered into hazard-free waste disposal business, the average sales price of the Group's hazard-free waste disposal projects decreased from RMB1,654 per ton for the year ended 31 December 2022 to RMB1,367 per ton for the year ended 31 December 2023.

The gross profit margin of the Group's hazard-free waste disposal projects decreased to 17.7% for the year ended 31 December 2023 (year ended 31 December 2022: 18.7%). The decrease was mainly attributable the net effects of (i) decrease in average sales price from RMB1,654 per tons for the year ended 31 December 2022 to RMB1,367 per tons for the year ended 31 December 2023; (ii) decrease in purchase prices of direct costs such as sodium hydroxide and other consumables; and (iii) increase in utilization of treatment capacities of the Group's hazard-free waste disposal projects.

- Recycling and reuse projects

As at 31 December 2023, the Group had 3 recycling and reuse projects in operation. The plants were mainly located in Ningxia Province and Hubei Province. The average sales price of the Group's recycling and reuse projects decreased from RMB4,533 per ton for the year ended 31 December 2022 to RMB4,233 per ton for the year ended 31 December 2023 mainly due to (i) changes in sales mix, and (ii) a decrease in the market price of methanol and butanol during the period. Accordingly, the gross profit margin of the Group's recycling and reuse products decreased from 18.0% for the year ended 31 December 2022 to 16.7% for the year ended 31 December 2023.

Other income and gains, net

Other income and gains, net for the year ended 31 December 2023 increased to RMB97.0 million, as compared to last year of RMB71.0 million. The increase was mainly due to increase in government grants, VAT refunds and VAT super deduction.

Administrative expenses

Administrative expenses for the year ended 31 December 2023 increased to RMB523.7 million, as compared to the corresponding period of last year of RMB408.3 million. The increase was mainly due to continuous business expansion in urban services.

Other expenses, net

Other expenses, net for the year ended 31 December 2023 decreased to RMB30.9 million, as compared to the corresponding period of last year of RMB49.8 million. The decrease was mainly due to decrease in impairment losses of trade receivables.

Finance costs

Finance costs mainly represented interests on bank and other borrowings. The increase in finance costs was mainly due to (i) the increase in interest-bearing bank and other borrowings and (ii) the increase in the market interest rates charged on offshore bank borrowings during the year ended 31 December 2023.

Income tax expense

The income tax expense decreased from RMB96.2 million for the year ended 31 December 2022 to RMB86.0 million for the year ended 31 December 2023, mainly because of tax concessions granted to certain subsidiaries.

Property, plant and equipment

Property, plant and equipment consist of buildings, plant and machinery, furniture, fixtures and equipment, motor vehicles, construction in progress. The increase in property, plant and equipment for the year ended 31 December 2023 was mainly due to the purchase of motor vehicles mainly for new urban services projects.

Right-of-use-assets

Right-of-use assets represented right to use assets over the life of leases, which consist of buildings, motor vehicles and leasehold lands. Decrease in right-of-use assets was due to depreciation provided during the year ended 31 December 2023.

Goodwill

Goodwill mainly represented the goodwill arose from the acquisition of subsidiaries in 2018 or before.

Service concession arrangements

Service concession arrangements represented arrangements involving the Group as a provider of urban services on behalf of the relevant government agencies for a period of 15 to 28 years. The increase was mainly due to net effects of (i) addition of 2 urban services projects under service concession arrangements and (ii) amortisation provided during the year ended 31 December 2023.

Trade and bills receivables

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

Environmental decommissioning fee receivable

Environmental decommissioning fee receivable represented government subsidies receivable from the PRC government for the waste electrical and electronic equipment treatment services.

Prepayments, deposit and other receivables

Decrease in prepayments, deposits and other receivables was mainly due to (i) the decrease in prepaid expenses; and (ii) the decrease in prepayment for purchase of inventories.

Cash and cash equivalents

Cash and cash equivalents decreased by RMB328.1 million which was mainly due to purchase of property, plant and equipment during the year.

Trade and bills payables

Trade and bills payables 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 urban services. The increase was mainly due to the increase in procurement as a result of the continuous business expansion in the Group's urban services.

Other payables and accruals

Other payables and accruals mainly represented payables for acquisition of property, plant and equipment, accruals for the Group's expenses, lease liabilities and payables to related parties and non-controlling shareholders. The decrease was mainly due to decrease in payables for acquisition of property, plant and equipment and lease liabilities.

Interest-bearing bank and other borrowings

Increase in bank and other borrowings was mainly due to drawdown of bank borrowings during the year ended 31 December 2023 for the purposes of development in the Group's urban services.

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 31 December 2023, the Group's cash and cash equivalents amounted to approximately RMB1,080.7 million (31 December 2022: approximately RMB1,408.9 million).

As at 31 December 2023, the Group's bank and other borrowings amounted to RMB2,562.1 million (31 December 2022: RMB2,470.9 million).

The net gearing ratio (defined as bank and other borrowings, net of cash and cash equivalents (the “**Net Debt Amounts**”), divided by the total equity) was 38.5% as at 31 December 2023 (31 December 2022: 29.7%). The increase in net gearing ratio was mainly due to increase in the Net Debt Amounts as a result of business expansion during the year.

Capital expenditure

During the year ended 31 December 2023, the Group's total capital expenditures were RMB919.7 million (2022: RMB741.4 million), out of which RMB583.2 million, RMB10.0 million, RMB35.7 million and RMB290.8 million (2022: RMB680.5 million, RMB3.8 million, RMB42.8 million and RMB14.3 million) were paid for the additions of property, plant and equipment, other intangible assets, right-of-use assets and service concession arrangements, respectively.

FUTURE OUTLOOK

Urban services

In 2024, the Group will focus on the strategic goal of “becoming an industry leader in high-quality and sustainable development”, give priority to advancing two engines, namely “regional exploration” and “coordinated development”, and further deepen the implementation of the two strategies.

Currently, the Group has and manages over 100 urban service projects across the country, which provides foundations for our continuous horizontal expansion (business coverage) and longitudinal expansion (urban and rural connection) and offers strong support for exchange of resources and joint breakthroughs with potential partners in the regions.

“Regional exploration” will further streamline the decision-making process for customer demands enabling us to rapidly respond to the complexities and rapid changes in the market to meet the demands of different types of customers. The strategy is in line with the requirements on market expansion and the operation and management of existing projects and allows us to effectively leverage the advantages of the localization of regional operations.

“Coordinated development” is a key differentiated business advantage of the Group. With the strong support and empowerment of Beijing Enterprises Water Group, the Group will continue to expand market coverage and seek business resources in scale from fellow subsidiaries and other high-quality sources. In 2024, the Group will work closely with the headquarters of Beijing Enterprises Water Group and its subsidiaries in key areas, develop a coordinated management mechanism on customers, projects, talents and other dimensions, give full play to the advantage of resource sharing, establish a coordinated work mechanism and facilitate the efficient and coordinated operation of businesses in key cooperation areas.

Hazardous waste treatment services

The market for the hazard-free and comprehensive disposal of hazardous waste has generally remained stable in the last two years. The industry is gradually returning to rational development and the future of the industry will be driven by operational excellence and innovation for sustainable development. The competition among hazardous waste operating entities will transform from the scale-based competition through exogenous expansion into the quality-based competition through endogenous upgrading. Our Group will gain competitive advantages through the application of more advanced process and technology, lower treatment costs, more progressive management and lower safety risks.

Currently, the hazard-free waste disposal business backlog in the hazardous waste segment of the Group has reached a generally stable level. Meanwhile, the resources business continues to improve efficiency and seek new opportunities. The production organization of the hazardous waste segment will give priority to the continuous and stable operation and seek the best production and organization efficiency. Similarly, our market management strategy will prioritize cost-effectiveness to expand the market share and create profit.

CHARGES ON THE GROUP’S ASSETS

The secured bank and other borrowings of the Group as at 31 December 2023 are secured by:

- (i) pledge over the Group’s equity interest in subsidiaries and a non-controlling shareholder’s equity interest in a subsidiary as at 31 December 2023 and 2022; and
- (ii) pledges over certain of the Group’s property, plant and equipment, right-of-use assets, operating concession rights and trade and bills receivables as at 31 December 2023 and 2022.

Save as disclosed above, as at 31 December 2023, 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 (2022: 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. Certain of the subsidiaries of the Group have their assets and liabilities denominated in HK\$. 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 HK\$ appreciates/depreciates against RMB, the Group would record a(n) decrease/increase in the Group's net asset value. During the year ended 31 December 2023, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed 56,776 employees (31 December 2022: 51,367 employees) with total staff cost of approximately RMB2,474.4 million incurred for the year ended 31 December 2023 (year ended 31 December 2022: approximately RMB2,142.2 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 for the year ended 31 December 2023.

IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REPORTING PERIOD

There was no important event affecting the Group since 31 December 2023 and up to the date of this announcement.

DIVIDEND

The Board proposed to pay a final dividend of HK1.5 cents per ordinary share (the "**Proposed Final Dividend**") for the year ended 31 December 2023 (2022: HK1 cent). The Proposed Final Dividend is subject to shareholders' approval at the annual general meeting of the Company to be held on June 2024, and is payable to shareholders of the Company whose names appear on the register of members of the Company on Friday, 14 June 2024.

CLOSURES OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Wednesday, 5 June 2024, 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 Thursday, 30 May 2024.

For Entitlement to Proposed Final Dividend

The register of members will be closed from Wednesday, 12 June 2024 to Friday, 14 June 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the Proposed Final 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 Tuesday, 11 June 2024. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the Proposed Final Dividend will be paid on or around Friday, 5 July 2024.

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

The Company repurchased a total of 3,636,000 ordinary shares of the Company on the Stock Exchange for the year ended 31 December 2023 at an aggregate consideration of HK\$1,650,860 (before expense). All the repurchased shares were cancelled by the Company as at the date of this announcement. Details of repurchase of such ordinary shares were as follows:

Month/Year	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
December 2023	3,636,000	0.5	0.425	1,650,860
Total:	<u>3,636,000</u>			<u>1,650,860</u>

Save as the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2023.

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 Group 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 Group. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders' interests. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for shareholders.

The Company adopted the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In the opinion of the Board, throughout the year ended 31 December 2023, the Company had complied with all the applicable code provisions set out in the CG Code.

The Board will continue to review periodically the compliance of the CG Code so as to safeguard and maximise the benefit of the shareholders of the Company.

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 C3 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 year ended 31 December 2023.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors namely Mr. Wu Tak Kong (the chairman of the Audit Committee), Dr. Du Huanzheng and Ms. Judith Yu. 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 annual results of the Group for the year ended 31 December 2023 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.

SCOPE OF WORK OF THE COMPANY'S AUDITOR IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company’s auditor to the amounts set out in the Group’s draft consolidated financial statements for the year ended 31 December 2023. The work performed by the Company’s auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company’s auditor on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.beur.net.cn) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2023 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 during the year.

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

Hong Kong, 25 March 2024

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. Wu Tak Kong, Dr. Du Huanzheng and Ms. Judith Yu.

* *for identification purpose only*