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

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3718

Annual Report 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors
Mr. Zhao Kexi *(Chief Executive Officer)*
Mr. Zhang Hailin
Mr. Huang Zhiwan

Non-Executive Directors
Mr. Zhou Min *(Chairman)*
Mr. Li Li
Mr. Li Haifeng

Independent Non-Executive Directors
Mr. Orr Ka Yeung, Kevin
Mr. Wu Tak Kong
Dr. Du Huanzheng

AUDIT COMMITTEE
Mr. Wu Tak Kong *(Chairman)*
Mr. Orr Ka Yeung, Kevin
Dr. Du Huanzheng

NOMINATION COMMITTEE
Mr. Zhou Min *(Chairman)*
Mr. Orr Ka Yeung, Kevin
Mr. Wu Tak Kong

REMUNERATION COMMITTEE
Dr. Du Huanzheng *(Chairman)*
Mr. Zhao Kexi
Mr. Wu Tak Kong

COMPANY SECRETARY
Mr. Fung Che Wai, Anthony

STOCK CODE
3718

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AUDITOR
Ernst & Young

COMPLIANCE ADVISER
Somerley Capital Limited

PRINCIPAL BANKERS
In Hong Kong:
DBS Bank (Hong Kong) Limited
CMB Wing Lung Bank

In Mainland China:
Bank of Beijing
Hua Xia Bank
Bank of Jiangsu

Dear Shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of Beijing Enterprises Urban Resources Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the"Group") for the year ended 31 December 2019.

The 2019 annual report is the first annual report of the Company after its listing. The Group is principally engaged in environmental hygiene services and hazardous waste treatment services. Since its establishment, all the employees of the Group have worked strenuously and forged ahead wholeheartedly that led to the listing of the Group on the Main Board of The Stock Exchange of Hong Kong Limited on 15 January 2020. The listing has inaugurated a new development milestone of the Group, which is beneficial for fostering its further business expansion while elevating the governance standard to a new height. The Group will grab this opportunity to promote the high-quality development of the Group with unremitting efforts.

BUSINESS REVIEW

2019 was a year of rapid development for environmental protection industry in China. The State Council promulgated the "Opinion on Comprehensively Strengthening Ecological Environmental Protection and Resolutely Winning the War on Pollution". The range of ecological environmental protection policy was unprecedentedly strengthened and the central and monitor on environment was further tightened, thereby the development policy of environmental protection industry became further optimised and ushering into a new era of ecological civilization construction and environmental protection, opening up unprecedented opportunities and providing a boundless blue ocean market to the environmental protection enterprises.

2019 was the year for the Group to enhance its standard and promote efficient development. During the year, we fully utilized our own advantages to promote the strength of market expansion and expedite the development of our business chains. Moreover, we optimised the internal management and control system and enhanced the standard of refined management, thereby greatly increasing the operation capacity and efficiency level.

In the aspect of environmental hygiene business, we emphasized on increasing our effort on promoting urban environmental hygiene projects at large-scale and medium to large-sized cities in a bid to drive the deployment of our industrial layout across the country. As at 31 December 2019, we had a total of 97 environmental hygiene projects with a total contracted area of approximately 150,336,000 sq.m.. Meanwhile, adhering to the digitalized development concept of "creation of a smart future", we progressively implemented smart operation to construct a data management and control platform to enhance operational, management and control capacities.

In terms of hazardous waste treatment business, we focused on strengthening the technological upgrade and transformation of existing projects and optimize construction cycle of projects under construction and projects planned. As at 31 December 2019, there were a total of 6 projects in operation, 2 projects in trial operation and 5 projects under construction. The Group's projects that engaged in hazard-free waste disposal had a total designed treatment capacity of 370,396 tons per annum. The projects engaged in recycling and reuse had a total designed treatment capacity of 250,000 tons per annum. Meanwhile, we gave priority to technology development and strengthened the effort in technological breakthrough, set up the technology management standard system (TMSS) and optimized technology management process in a bid to enhance operational efficiency. Moreover, we accelerated the progress of establishing the ERP system and progressively promoted effective integrated management of data, thereby providing support for scientific decision-making.

During the year ended 31 December 2019, the major result of the Group are as following:

- The Group recorded a revenue of HK$2,711.2 million, representing an increase of 45.6% as compared with that of HK$1,862.6 million in last year.
- Profit for the year from continuing operations attributable to shareholders of the Company increased by 75.8% to HK$269.6 million for the year ended 31 December 2019 as compared to HK$153.4 million for last year.
- Profit for the year from continuing operations attributable to shareholders of the Company, which excluded listing expenses, increased by 79.2% to HK$292.4 million for the year ended 31 December 2019 as compared to HK$163.2 million for last year.
- Basic and diluted earnings per share for profit from continuing operations for the year ended 31 December 2019 were HK9.99 cents.
- Net cash flows from operating activities for the year ended 31 December 2019 were HK$635.5 million.

PROSPECT

In 2020, we will be faced with both opportunities and challenges. Nevertheless, we foresee that there will be more opportunities than challenges ahead.

From a global perspective, the current spread of novel coronavirus across the globe may escalate the downward pressure on the global economy. As an important part of the world economy, China is exposed to both crises and risks. From the perspective of industry development, building a beautiful China has become the dedicated and challenging target of the Chinese people. The promulgation of "Green Hills and Clear Waters are Gold and Silver Mountains" has become a consensus of the general Chinese population. The need to strengthen ecological and environmental protection becomes deeply rooted in the hearts of the Chinese citizens. The era of mandatory classification of garbage is approaching. Although the novel coronavirus epidemic is a disaster to mankind, it will drive the country to pay more attention to ecological and environmental protection, putting more emphasis on preparing to fight a battle against pollution so that it can continuously foster the quality of the ecological environment improvement and accelerate the effort to make up the deficiency in collection and treatment facilities for medical waste and hazardous waste. As it can be foreseen, the future of environmental protection industry is still in a stage of major development opportunities. Therefore, the Group should seize every policy opportunity and continue to enhance its own capabilities by optimizing its investment, construction, operation, and technological management system while leveraging the industry trends and exploiting its advantages to overcome various shortcomings in a bid to strive to maintain a winning position in the fierce market competition.

In 2020, the Group will strive to excel in the following focus areas:

Enhancement of the regulated governance standard. We aim for regulated operation at high efficiency by attaching great importance to ESG management, optimizing the Company's governance system, focusing on mitigation of all types of risks and fulfilling responsibilities regarding safety and environmental protection as well as social responsibilities in order to improve the quality of the Group's regulated operation.

Speeding up industry deployment across China. We strive to seize the market while ensuring that premium projects are obtained to expand our scale and lay the foundation for future developments. Through accelerating in the deployment in major industrial provinces, provincial capitals and rapid economic development regions and increasing the Company's market share continuously, we aim to take initiative in future development.

Enhancement of capabilities in intelligence management and control. In the future, intelligence and digitalization will be the unstoppable trend for development, the Group will increase its pace in developing and constructing an information system and build an integrated information management and control platform to further enhance the standard of intelligence management and control. As for the environmental hygiene business, the Company aim to upgrade and reform the intelligence environmental hygiene project that have completed construction by adopting technologies such as 5G, automation and big data in order to optimize resources allocation of labor and vehicles. As for the hazardous waste treatment business, leveraging on the industrial internet-of-things as the foundation and the industrial big data as the engine, we aim to realize automation and lean production process through big data analysis.

Consolidation of the organization system and human resources building. By optimizing the organization system, strengthening of team development, we aim to enable talents to play key roles and nurture the Group's power in development. At the same time, through strengthening of training and optimizing of the development of talent echelon, we strive to improve the quality of employees, encourage talent development so as to construct a sound foundation of talents for the Group's effective development.

2020 is the first year of the Company's listing. We will fully utilize the advantages from capital operation and investment and financing and focus on the two major business of environmental hygiene and hazardous waste treatment, adhere to the goal of being a "leading integrated service provider in urban environment and resource utilization" and maintain the strategic focus to speed up the pace in development. With lean management as the gripping device and obtaining premium projects as the objective, we strive to build a firm foundation for achieving the new target of value creation. As we enhance our corporate value, the Group will also pay attention to the harmonious development of our businesses and economy, society as well as environment and play an active role in social development and environmental construction in order to give back to the shareholders and the society for their support and concern.

Currently, the circumstances in prevention and control of the pandemic remain severe and complicated. While observing safety precautions diligently on our own, the Group perform its duties as a corporate, take up the social responsibilities, carry out community services and contribute to winning the battle in pandemic prevention and control for China.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders for their trust and support to the Group and thanks to all the investors, partners, suppliers and customers for their trust and support. At the same time, I wish to extend my gratitude towards all staff members and the management of the Group for their dedication and contribution throughout last year.

Zhou Min
Chairman

27 March 2020

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, we utilize existing public facilities, including garbage transportation stations and public toilets, to provide comprehensive environmental hygiene services. Our environmental hygiene services primarily cover comprehensive road cleaning, garbage sorting, garbage collection and transportation, garbage transportation station management, public toilet management, manure collection and transportation, greenway maintenance, river cleaning services and property management services.

According to a report by Frost & Sullivan, a global market research and consulting firm, the size of China's environmental hygiene service market increased from RMB138.9 billion in 2014 to RMB299.9 billion in 2019, and is expected to further increase to RMB559.1 billion in 2024.

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 11.6% of the total market in 2014. The share of the enterprise sector as a percentage of the total market was 47.3% in 2019, and is expected to further increase to 74.9% in 2024.

We manage most of the environmental hygiene service projects under Operation & Maintenance ("O&M") model. Under this model, our customers outsource the municipal projects whose construction has been completed or nearly completed to us. We act as a third-party professional municipal operator for operation and maintenance. As at 31 December 2019, we had 91 projects under O&M. In addition, we also operate 3 environmental hygiene service projects under each of the Build-Transfer-Operate ("BTO") and Transfer-Operate-Transfer ("TOT") models respectively.

The following table sets forth changes in the number of environmental hygiene service projects that we operated during the year ended 31 December 2019:

	Number of projects
As at 1 January 2019	106
Newly added	33
Terminated/ceased to operate	(10)
Disposed (Note)	(32)
As at 31 December 2019	97

Note: In October 2019, the Group disposed of the 51% equity interests in Binnan Group to its non-controlling shareholder since Binnan Group failed to meet the performance targets as set out in the capital contribution agreement. For details, please refer to note 11 to the consolidated financial statements.

As at 31 December 2019, we had a total contracted area of approximately 150,336,000 sq.m. (2018: 142,831,000 sq.m.) with our environmental hygiene service projects, creating an average revenue of HK$10.7 per sq.m. (2018: HK$9.2 per sq.m.).

Hazardous waste treatment business

Under our hazardous waste treatment business, we process and safely dispose of hazardous waste for industrial companies and medical institutions and charge them waste treatment fees. Our business mainly cover collection, transportation, storage and disposal of wastes such as medical waste and industrial solid waste.

According to a report by Frost & Sullivan, a global market research and consulting firm, from 2014 to 2019, the disposal volume of hazardous waste in China increased from 9.3 million tons to 34.8 million tons, representing a compound annual growth rate ("CAGR") of 30.2%. Disposal is mainly used for waste on which no other proper treatment methods are available. Hazard-free waste disposal aims to eliminate or minimize negative effect that hazardous waste may have on the environment. Landfill and incineration are two of the most common treatment methods for solid hazardous waste. For liquid hazardous waste, common treatment methods include flocculation and purification. Before being disposed of, hazardous waste needs to undergo certain pretreatment methods based on its nature. Common pretreatment methods include physical-chemical and solidification or stabilization.

As at 31 December 2019, the Group had six hazardous waste treatment projects in operation and two hazardous waste treatment projects in trial operation. As of 31 December 2019, treatment facilities of our projects that engaged in hazard-free waste disposal had a total designed treatment capacity of 370,396 tons per annum (2018: 252,050 tons). Treatment facilities of projects that engaged in recycling and reuse had a total designed treatment capacity of 250,000 tons per annum (2018: 140,000 tons), as of the same date. As of 31 December 2019, we also had five projects under construction and four projects planned for future construction.

During the year ended 31 December 2019, the actual treatment capacity of the Group's hazardous waste treatment projects was 162,339 tons (2018: 128,034 tons), with an average unit price of approximately HK$3,329 per ton (2018: HK$3,298 per ton). The average sales price of our hazard-free waste disposal projects increased by approximately 19.9% in 2019. The sales price of our recycling and reuse projects decreased by approximately 17.6%, due to the drop in the market price of methanol during the year ended 31 December 2019.

An analysis of the sales price of our hazardous waste treatment projects is as follows:

	Hazard-free waste disposal projects			Recycling and reuse projects			Total		
	2019	2018	Changes	**2019**	2018	Changes	**2019**	2018	Changes
Revenue (HK$'000)	**285,739**	251,274	13.7%	**254,759**	170,935	49.0%	**540,498**	422,209	28.0%
Actual treatment (tons)	**76,345**	80,486	(5.1)%	**85,994**	47,548	80.9%	**162,339**	128,034	26.8%
Average sales price (HK$)	**3,743**	3,122	19.9%	**2,963**	3,595	(17.6)%	**3,329**	3,298	0.9%

Other business

Our other business represents waste electrical and electronic equipment treatment business. As of 31 December 2019, we had two revenue-generating waste electrical and electronic equipment treatment projects.

We procure 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 2019, revenue from our waste electrical and electronic equipment treatment business amounted to approximately HK$202.7 million (2018: HK$176.2 million), representing approximately 7.5% (2018: 9.5%) of our total revenue.

FINANCIAL PERFORMANCE

Revenue and gross profit margin

The following table sets forth our revenue breakdown and gross profit margin by business segment:

	Year ended 31 December			
	2019		2018	
	Revenue	**Gross Profit Margin**	Revenue	Gross Profit Margin
	(in thousands of HK$, except percentages)		(Restated)	
Environmental hygiene services	**1,968,023**	**24.5%**	1,264,211	22.0%
Hazardous waste treatment business				
– hazard-free waste disposal projects	**285,739**	**57.7%**	251,274	64.6%
– recycling and reuse projects	**254,759**	**34.0%**	170,935	38.9%
Others	**202,707**	**25.0%**	176,198	27.3%
Total	**2,711,228**	**28.9%**	1,862,618	29.8%

The Group's total revenue from continuing operations increased to HK$2,711.2 million for the year ended 31 December 2019 (2018: HK$1,862.6 million), primarily reflecting revenue increased from the Group's environmental hygiene services and hazardous waste treatment business. As at 31 December 2019, the Group had a total of 97 environmental hygiene services projects (2018: 106). The total contracted area of our environmental hygiene services increased to 150.3 million sq.m. as of 31 December 2019 (2018: 142.8 million sq.m.) while the average revenue from environmental hygiene services increased moderately to HK$10.7 per sq.m. for the year ended 31 December 2019 (2018: HK$9.2 per sq.m.).

During the year ended 31 December 2019, the Group had an actual total treatment volume of 162,339 tons as compared to 128,034 tons in 2018. The main reason for the increase was due to the increase in treatment volume of Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project* ("Ningxia Project") (寧夏睿源廢舊甲醇及混醇回收循環利用項目) to 85,994 tons for the year ended 31 December 2019 (2018: 47,548 tons).

During the year ended 31 December 2019, the Group's gross profit increased significantly to HK$783.4 million (2018: HK$554.5 million). The Group's gross profit margin decreased to 28.9% (2018: 29.8%).

The Group's gross profit margin from environmental hygiene services increase to 24.5% (2018: 22.0%), primarily due to improvement of the Group's operating cost control. During the year ended 31 December 2019, the Group has been continuously focused on enhancing operational efficiency and have incorporated advanced technology into our business process. For example, the Group has rolled out a pilot program to require each municipal worker to wear a digital bracelet and install a GPS tracker on each of our vehicle. The Group has also installed remote fuel monitor on the cleaning vehicles. As a result, our project companies are able to track real-time working progress of municipal workers and our cleaning vehicles and fuel use of the vehicles. Information gathered through these devices is transmitted to our cloud platform and our integrated management platform conducts real-time surveillance and evaluation based on information received. All these measures have facilitated our efforts in enhancing our operational efficiency and hence increased the profit margin of the Group's environmental hygiene services projects.

The gross profit margin of hazard-free waste disposal projects of hazardous waste treatment business decreased to 57.7% (2018: 64.6%) as there was a change in product mix during the year ended 31 December 2019. The gross profit margin from recycling and reuse projects decreased to 34.0% (2018: 38.9%), primarily because there was a drop in the market price of methanol during the year ended 31 December 2019.

Administrative expenses

Administrative expenses for the year ended 31 December 2019 increased to HK$320.0 million, as compared to the corresponding period of last year of HK$291.5 million. The increase was mainly due to (i) an increase in salaries, wages and welfare from HK$162.3 million in 2018 to HK$180.3 million in 2019 as a result of continuous business expansion; and (ii) the increase in listing expenses from HK$9.8 million in 2018 to HK$22.8 million in 2019.

Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK$72.3 million (2018: HK$43.9 million). The increase in finance costs was mainly due to the increase in bank and other borrowings during the year ended 31 December 2019.

Income tax expense

The Group conducted its principal activities in the PRC and the relevant standard corporate income tax rate was 25%. The Group's effective tax rate was lower than the standard corporate income tax rate in the PRC as certain of the Group's operating subsidiaries enjoyed tax concession benefits during the year ended 31 December 2019.

Discontinued operations

During the year ended 31 December 2019, the Group disposed of its 51% equity interests in Binnan Group. For details, please refer to note 11 to the consolidated financial statements.

Property, plant and equipment

Property, plant and equipment consist of buildings, plant and machinery, furniture, fixtures and equipment, motor vehicles, construction on progress. The increase in property, plant and equipment for the year ended 31 December 2019 was mainly due to the net effect of (i) purchase of motor vehicles for environmental hygiene services projects in the amount of HK$198.4 million (2018: HK$270.8 million); (ii) additions of construction in progress for hazardous waste treatment business in the amount of HK$455.6 million (2018: HK$201.3 million); and (iii) depreciation provided during the year ended 31 December 2019 in the amount of HK$190.4 million (2018: HK$128.5 million).

Right-of-use-assets

Right-of-use assets consist of buildings, motor vehicles and prepaid land lease premium. Increase in right-of-use assets during the year ended 31 December 2019 was mainly due to the additions in buildings and prepaid land lease premium in the amounts of HK$62.9 million and HK$43.9 million respectively (2018: HK$51.0 million and HK$48.0 million).

Goodwill

Goodwill mainly represented the goodwill arise from the acquisition of subsidiaries in 2018 or before and the decrease in the goodwill for the year ended 31 December 2019 was mainly due to the disposal of Binnan Group as detailed in note 11 to the consolidated financial statements.

Operating concessions

Operating concessions represented arrangements involving the Group as a provider of environmental hygiene services on behalf of the relevant government agencies. The increase was mainly due to an addition of operating concession arrangement during the year ended 31 December 2019.

Trade and bills receivables

Increase in trade and bills receivables for the year ended 31 December 2019 was mainly due to continuous business expansion in both environmental hygiene services and hazardous waste treatment business.

The following table sets forth the turnover days of our trade receivables:

	As of 31 December 2019	2018
Average trade and bills receivable turnover days on continuing operations (days)	**92**	82

Environmental decommissioning fee receivable

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

Contract assets

Contract assets represented the construction services in relation to Group's BTO projects for environmental hygiene services. Decrease in the contract assets was mainly due to the recognition of contract assets as long term trade receivables as certain construction services had been provided and completed.

Prepayments, deposit and other receivables

Decrease in prepayments, deposit and other receivables was mainly due to (i) decrease of HK$29.6 million in the guarantee deposits held by customers for environmental hygiene services projects; (ii) decrease of HK$25.9 million in the prepayments for acquisition of land use rights for hazardous waste treatment business projects; and (iii) decrease of HK$13.4 million in the prepayments for acquisition of property, plant and equipment.

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 environmental hygiene services. The increase in 2019 was mainly due to the increase in procurement as a result of the continuous business expansion in both environmental hygiene services and hazardous waste treatment business.

Other payables and accruals

Other payables and accruals mainly represented payable for acquisition of property, plant and equipment, accruals for the Group's expenses and lease liabilities. The decrease was mainly due to the settlement of certain payables for acquisition of property, plant and equipment and subsidiaries during the year.

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 2019 for the purposes of development in both environmental hygiene services and hazardous waste treatment business.

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 2019, the Group's cash and cash equivalents amounted to approximately HK$1,051.9 million (2018: approximately HK$734.3 million). All the bank and other borrowings bear interest at floating rates.

The Group's bank and other borrowings amounted to HK$1,389.8 million (2018: HK$1,355.1 million).

The net gearing ratio (defined as bank and other borrowings, net of cash and cash equivalents, divided by the total equity) was 15.0% as at 31 December 2019 (31 December 2018: 28.9%). The decrease in the net gearing ratio as at 31 December 2019 was mainly due to the strong financial performance and operating net cash inflow during the year.

Capital expenditure

During the year ended 31 December 2019, the Group's total capital expenditures were HK$911.0 million (2018: HK$1,070.3 million), out of which HK$785.3 million and HK$125.7 million (2018: HK$617.1 million and HK$115.7 million) were paid for the additions of property, plant and equipment and right-of-use assets respectively. In addition, during the year ended 31 December 2018, the Group paid HK$337.5 million in respect of acquisition of subsidiaries.

FUTURE OUTLOOK

Environmental hygiene services are mainly offered in urban and suburban areas in China. According to a report by Frost & Sullivan, a global market research and consulting firm, the urbanization rate in China is expected to increase from 60.6% in 2019 to 68.1% in 2024 and is expected to further increase in a majority of existing urban areas. As a result, geographic coverage of environmental hygiene services is expected to further expand and the demand for services from existing projects is expected to further increase in the future.

The PRC government is currently encouraging more enterprises to participate in public services. The increasingly outsourcing of governmental tender projects is expected to increase the level of marketization in the industry. According to a report by Frost & Sullivan, a global market research and consulting firm, the share of the enterprise sector as a percentage of the total market is expected to increase from 47.3% in 2019 to 74.9% in 2024.

The Group intends to participate in more tendering process for new projects, expand into new markets and seek the opportunities to expand the services to certain related business areas, such as recycling, sorting and reuse of municipal waste as a result of increasing urbanization in China and privatization of environmental hygiene service.

In addition, the Group will continue to invest in and expand hazardous waste treatment business through ramping up capacity and volume in current projects, in particular Shouguang Industrial Solid Waste Disposal Center Project* (壽光市工業固體廢物處置中心項目) and Ningxia Project. The Group will continue to invest in projects planned for future construction and increase investment in recycling and reuse projects. In the meantime, the Group will seek to identify and evaluate potential acquisition targets, particularly focusing on targets that can benefit from the Group's management capabilities, reputation, experience and financial resources to improve their operating results.

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings of the Group as at 31 December 2019 are secured by:

(i) corporate guarantees given by a subsidiary of a shareholder of the Company as at 31 December 2018 and a non-controlling shareholder of a subsidiary as at 31 December 2019;

(ii) pledge over the Group's equity interest in a subsidiary as at 31 December 2019 and 2018; and

(iii) pledges over certain of the Group's property, plant and equipment, right-of-use assets and operating concession rights as at 31 December 2019 and 2018.

Save as disclosed above, as at 31 December 2019, 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 (2018: 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 year ended 31 December 2019, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed 33,242 employees (2018: 33,567 employees) with total staff cost of approximately HK$1,021.2 million incurred for the year ended 31 December 2019 (2018: approximately HK$845.0 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

On 30 August 2019, the Group entered into a supplemental agreement with the non-controlling shareholder of Binnan Group to dispose of the Group's entire 51% equity interest in Binnan Group to its non-controlling shareholder for a cash consideration of approximately RMB75.3 million. The transaction was completed on 21 October 2019. For details, please refer to note 11 to the consolidated financial statements.

As at 31 December 2019, the Company did not hold any significant investments in an investee company with a value of 5% or more of the Company's total assets.

Save as disclosed above, there were no significant investments, material acquisition and disposal of subsidiaries by the Group for the year ended 31 December 2019.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(a) On 15 January 2020, 900,000,000 new ordinary shares with a par value of HK$0.1 each of the Company were issued at a price of HK$0.69 by way of share offer. On the same date, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(b) In late 2019 and early 2020, there was an outbreak of an infectious respiratory disease named "COVID-19" by the World Health Organization, which is caused by a novel coronavirus. The PRC government has implemented various contingency measures and actions to prevent the spread of COVID-19 such as an extension of the Chinese New Year holiday, as well as travel and work restrictions in certain provinces and municipalities in China. The COVID-19 outbreak is expected to cause a great impact to the economic and business environment in the PRC. However, the Group's operations and financial performance were not significantly adversely affected during the year ended 31 December 2019 and up to the date of this report. The Group's hazardous waste treatment factories have resumed operations gradually from February and March 2020 onwards, whereas the Group's environmental hygiene services projects continued its operations during the above-mentioned period. In addition, from 1 January 2020 to the date of approval of these financial statements, the Group has won a total of 5 tenders in respect of its environmental hygiene services projects, details of which are disclosed in the announcements of the Company dated 20 January 2020, 12 February 2020 and 18 March 2020, respectively.

Save as the above, there were no significant events after 31 December 2019 and up to the date of this report.

USE OF PROCEEDS FROM LISTING

The Company's shares have been listed on the Main Board of the Stock Exchange since 15 January 2020 (the "Listing Date"), and the net proceeds from the share offer (after deducting listing expenses) amounted to approximately HK$603.4 million (the "IPO Proceeds"). As the Company was listed after the year ended 31 December 2019, there was no proceeds raised as at 31 December 2019. As at the date of this report, the Group is in the process of implementing its business strategies as set out in the prospectus of the Company dated 30 December 2019 (the "Prospectus") and the IPO Proceeds will be applied in accordance with the proposed application as set out in the Prospectus.

As at the date of this report, the unutilised IPO Proceeds were deposited with licensed banks in Hong Kong and the PRC.

DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2019 (2018: Nil).

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting the environmental sustainability. The Group is committed to maintaining sustainable working practises and pays close attention to ensure all resources are efficiently utilised. The environmental policies and performance of the Company for the year ended 31 December 2019 containing the information required under Appendix 27 to the Listing Rules are set out in the Environmental, Social and Governance Report which will be published on the Stock Exchange's website and the Company' s website within three months after publication of this annual report.

COMPLIANCE WITH REGULATIONS

The Group is not aware of any instances of material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap. 622), Listing Rules, and other applicable local laws and regulations in various jurisdictions during the year ended 31 December 2019 and up to the date of this annual report.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the services in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the services so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business.

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2019.

The Company's corporate governance policies and practices are applied and implemented in the manners as stated in the below Corporate Governance Report.

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 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company was listed on the Main Board of the Stock Exchange on 15 January 2020, which is after the financial year ended 31 December 2019. As the Company was not yet listed on the Main Board of the Stock Exchange until the Listing Date, the CG code was not applicable to the Company during the year ended 31 December 2019. Since the Listing Date and up to the date of this Corporate Governance Report, 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 stakeholders of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry to all the Directors, all the Directors have confirmed that they have complied with the required standards set out in the Model Code since the Listing Date and up to the date of this Corporate Governance Report.

BOARD OF DIRECTORS

Role and delegation

The Board is responsible for the leadership and directing and supervising the Group's businesses, strategic decisions and performance. The Board meets regularly to make decision on all major matters of the Group, including the approval and monitoring of all material acquisitions and disposals, material contracts, notifiable and/or connected transactions, appointment or reappointment of Directors and the financial performance in pursuit of its strategic goals. The Board is also responsible for developing and reviewing the appropriate corporate governance practices applicable to the Company's circumstances and ensuring processes and procedures are in place to achieve the Company's corporate governance objectives. The Board has delegated the leadership and day-to-day operation of the Group to the chief executive officer (the "Chief Executive Officer") and the management of the Group.

All Directors have timely access to all relevant information of the Company and the advice of the management. Any Director may also seek independent professional advice in appropriate circumstances at the Company's expenses upon reasonable request made to the Board.

Since the Listing Date, the first regular Board meeting was held on 27 March 2020 to review, consider and approve the final results of the Group for the year ended 31 December 2019. 14-day notice of such meeting was given to all Directors.

Composition

The Board currently comprises the following Directors:

Executive Directors

Mr. Zhao Kexi *(Chief Executive Officer)*	(appointed on 26 March 2019)
Mr. Zhang Hailin	(appointed on 26 March 2019)
Mr. Huang Zhiwan	(appointed on 26 March 2019)

Non-executive Directors

Mr. Zhou Min *(Chairman)*	(appointed on 26 March 2019)
Mr. Li Li	(appointed on 26 March 2019)
Mr. Li Haifeng	(appointed on 26 March 2019)

Independent Non-executive Directors (the "INEDs")

Mr. Orr Ka Yeung, Kevin	(appointed on 19 December 2019)
Mr. Wu Tak Kong	(appointed on 19 December 2019)
Dr. Du Huanzheng	(appointed on 19 December 2019)

The Board has met the requirements of Rule 3.10 of the Listing Rules of having at least three INEDs (representing at least one-third of the Board). In addition, Mr. Wu Tak Kong, an independent non-executive Director, has the appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

There is no relationship (including financial, business, family or other material/relevant relationship) among the Board members.

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" in this annual report.

Chairman and Chief Executive Officer

Currently, the chairman of the Board (the "Chairman") is Mr. Zhou Min and the Chief Executive Officer is Mr. Zhao Kexi. The roles of the Chairman and the Chief Executive Officer are clearly defined and segregated to ensure independence and accountability of their respective functions and balanced distribution of power and authority between them.

The Chairman has executive responsibilities, provides leadership to, and oversees the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. With the support of the executive Directors and the company secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and are provided with adequate and accurate information in a timely manner.

The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders as outlined later in this Corporate Governance Report.

The Chief Executive Officer, leading the Group's management, is accountable to the Board for the overall implementation of the Company's strategies and the management of the operations of the Group.

Independent non-executive Directors

The Board considers that the INEDs can provide independent advices on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

The Company has received a written annual confirmation from each of the INEDs confirming his independence pursuant to Rule 3.13 of the Listing Rules. The Company continues to consider all the INEDs to be independent since the Listing Date and up to the date of this Corporate Governance Report.

The terms of appointment of the non-executive Directors

The terms of appointment of the Non-executive Directors of the Company are as follows:

Name of Non-executive Directors	Terms of Appointments
Mr. Zhou Min	Until 14 January 2023
Mr. Li Li	Until 14 January 2023
Mr. Li Haifeng	Until 14 January 2023

Corporate governance functions

The Board has undertaken the responsibility for performing the corporate governance duties of the Company including:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(v) to review the Company's compliance with the CG Code and disclosures in the Company's Corporate Governance Report.

Nomination Policy and Board diversity

The nomination committee of the Company (the "Nomination Committee") shall nominate suitable candidates to the Board for it to consider and make recommendations to the shareholders for election as Directors at general meetings or appoint as additional Directors to the Board or Directors to fill casual vacancies in accordance with the nomination policy of the Company (the "Nomination Policy"). In the nomination process, the Nomination Committee shall consider candidates from a wide variety of backgrounds, identify and nominate potential candidates and makes recommendations for the Board's consideration and approval.

When assessing the suitability of a proposed candidate for directorships, the Nomination Committee shall consider the following factors:

- accomplishment and experience in the industry, in particular, in the environmental protection segment;
- reputation for integrity;
- commitment in respect of available time and relevant interest;
- merit and contribution to the Board;
- contribution to diversity of the Board; and
- in the case of INEDs, the independence of the candidate.

The above factors are for reference only, and not meant to be exhaustive and conclusive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

In December 2019, the Board adopted a Board diversity policy (the "Board Diversity Policy") formulated by the Company in accordance with the requirements of the Listing Rules. It aims to set out the approach to achieve diversity on the Board. The Board endeavours to ensure that it has a balance of skills, experience and diversity of perspectives which are appropriate to the requirements of the Group's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, nationality and ethnicity, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Board Diversity Policy and the Nomination Policy from time to time to ensure the continued effectiveness of such policies.

As at the date of this Corporate Governance Report, there are nine Directors with extensive experience and/or professional backgrounds to formulate and give direction of the Group's corporate strategy and business development. The composition, experience and balance of skills on the Board are regularly reviewed by a core of members with longstanding and deep knowledge of the Group alongside new Directors who bring fresh perspectives and diverse experiences to the Board. The process for the nomination of Directors is led by the Nomination Committee.

Tenure

In accordance with the Amended and Restated Memorandum of Association and Articles of Association of the Company (the "Articles of Association"), all Directors are subject to retirement by rotation. At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

All Directors (including the INEDs) had entered into the letters of appointment or service agreements (as the case may be) with the Company for a term of three years subject to retirement from office by rotation and re-election at the forthcoming annual general meeting (the "AGM") in accordance with the Articles of Association.

Directors' induction and continuous professional development

Upon appointment to the Board, each newly appointed Director would receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company.

The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Prior to the Listing Date, the Company has arranged trainings for all Directors in the form of seminar and provision of training materials. Guidance notes and memorandum are issued to all Directors where appropriate, to ensure awareness of best corporate governance practices.

Name of Directors	Corporate Governance/ Updates on laws, rules & regulations: Read materials	Corporate Governance/ Updates on laws, rules & regulations: Attended seminars/ briefings
Executive Directors		
Mr. Zhao Kexi *(Chief Executive Officer)*	✔	✔
Mr. Zhang Hailin	✔	✔
Mr. Huang Zhiwan	✔	✔
Non-executive Directors		
Mr. Zhou Min *(Chairman)*	✔	✔
Mr. Li Li	✔	✔
Mr. Li Haifeng	✔	✔
Independent non-executive Directors		
Mr. Orr Ka Yeung, Kevin	✔	✔
Mr. Wu Tak Kong	✔	✔
Dr. Du Huanzheng	✔	✔

Liability Insurance for the Directors

The Company has arranged for appropriate directors and officers liability insurance to indemnify its Directors against liabilities arising out of legal action on corporate activities. Such insurance coverage is reviewed and renewed with consultant advice on an annual basis.

BOARD COMMITTEES

The Board has established three Board committees to strengthen its functions and corporate governance practices, namely, audit committee (the "Audit Committee"), the Nomination Committee and remuneration committee (the "Remuneration Committee"). The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific roles in accordance with their respective written terms of reference. The terms of reference of these committees stipulating their respective authorities and responsibilities are available on the Company's website.

Audit Committee

The Audit Committee has been established on 19 December 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises all three INEDs, namely Mr. Wu Tak Kong (chairman), Mr. Orr Ka Yeung, Kevin and Dr. Du Huanzheng. None of the members of the Audit Committee is a former partner of the auditor of the Company.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting system, risk management and internal control systems of the Group, to develop and review the Group's policies. The Audit Committee is also responsible for making recommendation to the Board on the appointment of the external auditor and approving the remuneration and terms of engagement of the external auditor. The Audit Committee is required to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee had reviewed the Group's consolidated financial statements for the year ended 31 December 2019. No Audit Committee meeting was held during the year ended 31 December 2019. Since the Listing Date and up to the date of this Corporate Governance Report, two Audit Committee meetings were held to review and discuss, inter alia, with the management of the Company and the external auditors the accounting principles and practices adopted by the Group, as well as internal controls, risk factors and other financial reporting matters, during which all INEDs were present throughout the meeting. Details of the individual attendance records of each INED at the meetings are set out in the section headed "Board and Board Committees Meetings" in the Corporate Governance Report.

The Board agreed with the Audit Committee's proposal for re-appointment of Messrs. Ernst & Young as the Company's external auditor for the year 2020. The recommendation will be put forward for shareholder's approval at the AGM of the Company.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2019, the Directors have selected suitable accounting policies and applied them consistently (except for the adoption of revised standards, amendments to standards and interpretation); adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditor, is set out on pages 41 to 44 of the "Independent Auditor's Report" in this annual report.

Auditor's remuneration

The remuneration paid/payable to the Company's auditor for the year ended 31 December 2019 are set out as follows:

Services rendered for the Group	Fee paid/ payable to HK$'000
Audit services:	
– annual financial statements	**3,600**
– professional services fee in relation to the initial public offering of the Company's shares	**4,250**
Non-audit services:	
– professional services fee in relation to the initial public offering of the Company's shares	**1,484**
– taxation and professional fee	**67**
– other professional services	**60**
Total	**9,461**

Remuneration Committee

The Remuneration Committee has been established on 19 December 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 the CG Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee comprises one executive Director and two INEDs, namely Mr. Zhao Kexi, Dr. Du Huanzheng (chairman) and Mr. Wu Tak Kong, respectively.

The Company has adopted the model set out in code provision B.1.2(c)(ii) of the CG Code as its Remuneration Committee model under which the Remuneration Committee shall make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

The primary duties of the Remuneration Committee include the following:

(1) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(2) to review and determine, with delegated responsibilities and authorisation by the Board, the remuneration packages of individual executive Directors and senior management with reference to the Board's corporate goals and objectives;

(3) to make recommendations to the Board on the remuneration of non-executive Directors and INEDs;

(4) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(5) to review and approve compensation payable to executive Directors and senior management for any loss of termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(6) to review and approve compensative arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(7) to ensure that no Directors or any of his/her associates is involved in deciding his/her own remuneration.

No Remuneration Committee meeting was held during the year ended 31 December 2019. Since the Listing Date and up to the date of this Corporate Governance Report, one Remuneration Committee meeting was held. Details of the individual attendance records of each member of the Remuneration Committee at the meeting are set out in the section headed "Board and Board Committees Meetings" in this Corporate Governance Report.

Nomination Committee

The Nomination Committee has been established on 19 December 2019 with written terms of reference in compliance with paragraph A.5. the CG Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee comprises one non-executive Director and two INEDs, namely Mr. Zhou Min (chairman), Mr. Orr Ka Yeung, Kevin and Mr. Wu Tak Kong, respectively.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and make recommendations to the Board on the appointment or re-appointment of members of the Board and succession planning for members of the Board.

No Nomination Committee meeting was held during the year ended 31 December 2019. Since the Listing Date and up to the date of this Corporate Governance Report, one Nomination Committee was held. Details of the individual attendance records of each member of the Nomination Committee at the meeting are set out in the section headed "Board and Board Committees Meetings" in this Corporate Governance Report.

BOARD AND BOARD COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, the Audit Committee, the Nomination Committee, and the Remuneration Committee held for the period from the Listing Date to the date of this Corporate Governance Report are set out in the following table:

	Meetings attended/held			
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Executive Directors				
Mr. Zhao Kexi *(Chief Executive Officer)*	1/1	–	–	1/1
Mr. Zhang Hailin	1/1	–	–	–
Mr. Huang Zhiwan	1/1	–	–	–
Non-executive Directors				
Mr. Zhou Min *(Chairman)*	1/1	–	1/1	–
Mr. Li Li	1/1	–	–	–
Mr. Li Haifeng	1/1	–	–	–
Independent non-executive Director				
Mr. Orr Ka Yeung, Kevin	1/1	2/2	1/1	–
Mr. Wu Tak Kong	1/1	2/2	1/1	1/1
Dr. Du Huanzheng	1/1	2/2	–	1/1

The Company did not hold any general meeting from the Listing Date to the date of this Corporate Governance Report.

During the period from the Listing Date to the date of this Corporate Governance Report, the Chairman did not hold any meeting with the INEDs without the presence of the executive Directors.

Risk management and internal control

The Board has the overall responsibility for overseeing the risk management and internal control systems on an on-going basis, and reviewing the effectiveness of the Group's risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls, to ensure that the systems in place are adequate and effective, so as to safeguard the interests of the shareholders of the Company and the assets of the Group.

The Board understands that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated to the management the design, implementation and monitoring of the risk management and internal control systems on an on-going basis. The Audit Committee has also delegated with overseeing and reviewing the effectiveness of the risk management and internal control systems of the Group.

The audit and supervision department of the Company (the "Audit and Supervision Department") carries out an independent evaluation of key business processes and controls in accordance with its normal procedures.

Their recommendations and remedial measures will be taken to rectify the deficiencies accordingly.

An on-going process has been established for identifying, evaluating and managing the significant risks faced by the Group. The process involves:

(i) Risk Identification: identify risks that may potentially affect the Group's businesses and operations;

(ii) Risk Evaluation: consider the impact on the business and the likelihood of their occurrence; and

(iii) Risk Management: perform on-going and periodic monitoring of the risks and ensure that appropriate internal control processes are in place.

The Audit and Supervision Department performs the internal audit function and assists the Board to set up effective policies and guidelines for risk management and internal controls, and is responsible for the regular review on the execution of these policies and guidelines.

The Audit and Supervision Department has conducted an assessment in respect of the risk management and internal controls of the Group for the year ended 31 December 2019 and reported the review results to the Audit Committee. All major findings were communicated to senior management of the respective business units or departments to enforce the remediation.

In addition, the Company may engage independent consultants to conduct review of the internal control system and risk management of the Group as and when necessary.

The Board, through the Audit Committee, has conducted a review on the Group's risk management and internal control systems which covered financial, operational, compliance procedural and risk management functions and internal control matters identified by the Audit and Supervision Department. It also conducts review on the internal audit functions with particular emphasis on the scope and quality of management's on-going monitoring of risks and of the internal control systems and the works of the Audit and Supervision Department. During the annual review, the Audit Committee also considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Based on the assessment and information made by the Audit and Supervision Department and the management, the Audit Committee considered that the risk management and internal control systems of the Group of the reporting year are effective and adequate.

Inside information

The Company has taken appropriate measures to identify inside information and preserve its confidentiality until proper dissemination via the electronic publication system operated by the Stock Exchange. Every senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Board for taking appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide, the course of actions for rectifying the problem and avoiding recurrence.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than Directors) for the year ended 31 December 2019 is as follows:

Remuneration band	Number of individuals
Nil to HK$1,000,000	2
HK$1,500,001 to HK$2,000,000	1

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 8 and 9 to the financial statements in this annual report, respectively.

COMPANY SECRETARY

Mr. Fung Che Wai, Anthony, the company secretary of the Company (the "Company Secretary"), is a full time employee of the Company. Upon the Listing Date, Mr. Fung has complied with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting (the "EGM") by shareholders

Pursuant to article 58 of the Articles of Association, the Board may whenever it thinks fit call an EGM. EGM shall also be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders of the Company may at any time send their enquiries to the Board for the attention of the Company Secretary via email (ir@beurg.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at Units 6705-6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders of the Company may also make enquiries with the Board at general meetings of the Company.

Procedures for putting forward proposals at shareholders' meetings

If a shareholder of the Company wishes to put forward proposals at an annual general meeting/EGM which is to be held, such shareholder, who is duly qualified to attend and vote at such general meeting, shall follow the procedures as set out below which are required in accordance with the Articles of Association and the Listing Rules:

1. A shareholder of the Company shall validly serve on the Company Secretary his/her written and signed notice of intention to propose a resolution at the annual general meeting/EGM.

2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at Units 6705-6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

3. The period for lodgement of the foregoing notices required under the Articles of Association shall commence on the day after the despatch of the notice of the annual general meeting/EGM and end no later than 7 days prior to the date of the annual general meeting/EGM and such period shall be at least 7 days.

4. The notice will be verified with the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to consider to include the proposed resolutions in annual general meeting/EGM.

INVESTOR RELATIONS

Communication with shareholders

The Group also has a proactive investor relations programme that keeps stakeholders abreast the Group's latest development and discloses relevant information to the public in a timely manner. During the year ended 31 December 2019 and up to the date of this Corporate Governance Report, we held various meetings with potential investors and participated in investor and press conferences.

Constitutional documents

The Company adopted the Articles of Association on 15 January 2020. Since the Listing Date and up to the date of this Corporate Governance Report, there was no change in the constitutional documents. The Articles of Association is available on both the websites of the Company and the Stock Exchange.

Dividend Policy

The objective of the Company's dividend policy (the "Dividend Policy") is to allow shareholders of the Company to participate in the Company's profits, while also ensuring that adequate reserves are retained for future prospects of the Group. According to the Dividend Policy, in deciding whether to declare or recommend any dividend distribution, the Board shall take into account, including but not limited to, the following factors:

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- the level of the Group's debts to equity ratio, return on equity, contractual restrictions and relevant financial covenants;
- taxation considerations;
- general economic conditions, business cycle of the Group's businesses and other internal or external factors that may have an impact on the businesses or financial performance and position of the Group;
- statutory and regulatory restrictions; and
- other factors that the Board deems relevant.

Any declaration and payment of dividend shall remain to be determined at the discretion of the Board and subject to the compliance with all applicable laws and regulations including the laws of the Cayman Islands and the Articles of Association.

EXECUTIVE DIRECTORS

Mr. Zhao Kexi (趙克喜), aged 44, was appointed as our Director on 26 March 2019 and was re-designated as our executive Director on 9 April 2019. Mr. Zhao is also our president and Chief Executive Officer. He is primarily responsible for the overall management of our Group. Since December 2016, Mr. Zhao has been serving as the chairman of the board and general manager of Qingdao Beijing Enterprises Resources and Environmental Technology Limited* (青島北控資源與環境技術有限公司), an indirectly owned subsidiary of the Company principally engaged in construction and operation of urban garbage recycling and utilization facilities.

Prior to joining our Group, from August 1999 to December 2003, Mr. Zhao worked at Mianyang Yiduoyuan Real Estate Development Co., Ltd.* (綿陽市益多園房地產開發有限責任公司), a company principally engaged in real estate business, where he was primarily responsible for its financial matters. From December 2003 to June 2008, Mr. Zhao served as the head of the auditing department of Beijing Enterprises Zhongkecheng Environmental Protection Group Limited* (北京中科成環保集團有限公司)("BE Zhongkecheng Environmental"), a subsidiary of BEWG principally engaged in water treatment, where he was primarily responsible for supervising auditing related matters. From June 2008 to November 2016, Mr. Zhao held several positions at BEWG, where he last served as a vice president and was primarily responsible for investment management and auditing related matters.

Mr. Zhao received his bachelor's degree in accounting from Southwestern University of Finance and Economics (西南財經大學) in the PRC in June 2005, and his executive master's degree of business administration from Tsinghua University (清華大學) in the PRC in June 2016. Mr. Zhao received his certificate of certified public accountant from the Ministry of Finance of the PRC (中華人民共和國財政部) in April 2006 and his certificate of senior international finance manager (高級國際財務管理師) from the International Financial Management Association in March 2014.

Mr. Zhang Hailin (張海林), aged 49, was appointed as our Director on 26 March 2019 and was re-designated as our executive Director on 9 April 2019. Mr. Zhang is also our vice president and primarily responsible for the administrative management of our Group and the overall management of environmental hygiene service segment. Since July 2015, Mr. Zhang has been a director and general manager of Beijing Enterprises Environmental Investment (PRC) Co., Ltd.* (北控環境投資(中國)有限公司) (now known as Beijing Enterprises Urban Services Group Limited*) where he has been primarily responsible for the business development of environmental hygiene service segment and public relations.

Prior to joining our Group, from May 1997 to May 2000, Mr. Zhang worked at CITIC Group Corporation (中國中信集團有限公司), a financial services provider. From July 2000 to July 2002, he served as the administration manager of Aiqigao Technology (Beijing) Co., Ltd.* (愛奇高技術(北京)有限公司), a company principally engaged in information technology publishing, market research, exposition and conference, where he was primarily responsible for administrative management. From May 2003 to March 2008, he worked at Beijing Aimasi District Cooling Technology Development Co., Ltd.* (北京璦瑪斯區域供冷技術開發有限公司), a company principally engaged in technology development. From January 2009 to July 2015, Mr. Zhang served several positions at BEWG where he last served as an executive manager and was primarily responsible for corporate management, human resources, integrated administrative management and environmental hygiene service segment.

Mr. Zhang received his bachelor's degree in industrial management engineering from North China University of Technology (北方工業大學) in the PRC in July 1991, and his master's degree in project management from Beihang University (北京航空航天大學) in the PRC in March 2006. He obtained his qualification as a senior economist in human resources management (人力資源管理高級經濟師) from Beijing Senior Professional Technical Qualification Review Committee (北京市高級專業技術資格評審委員會) in November 2007.

Mr. Huang Zhiwan (黃志萬), aged 61, was appointed as our Director on 26 March 2019 and was re-designated as our executive Director on 9 April 2019. Mr. Huang is primarily responsible for providing consultation on project production and operations and managing the regional business in Guigang, Guangxi, which is primarily conducted through Guangxi Guigang Beijing Enterprises Water Environmental Sanitation Services Limited* (廣西貴港北控水務環衛服務有限公司) ("Guigang Sanitation") and Guangxi Guigang Beijing Enterprises Water Medical Waste Treatment Limited* (廣西貴港北控水務醫療廢物處理有限公司) ("Guigang Medical Waste"). Since September 2013, Mr. Huang has been the general manager of Guigang Sanitation, a company principally engaged in environmental hygiene services, where he has been primarily responsible for its production and operation management. From July 2014 to November 2016, Mr. Huang served as the general manager of Guigang Medical Waste, a company principally engaged in medical waste treatment, where he has been primarily responsible for organizing the production and operations management. Since December 2016, Mr. Huang has been the chairman of the board of Guigang Medical Waste where he has been primarily responsible for its strategic planning and the overall operations management. Since April 2017, Mr. Huang has been a director of Beijing Enterprises Urban Environmental Resources (PRC) Limited* (北控城市環保資源投資(中國)有限公司) where he has been primarily responsible for providing advice to environmental hygiene services and hazardous waste business to its board of directors.

From May 2012 to October 2015, Mr. Huang served as a vice general manager of Guangxi Guigang Beijing Enterprises Water Environmental Protection Limited* (廣西貴港北控水務環保有限公司) ("Guigang Environmental Protection"), a company principally engaged in waste incineration power generation and electricity supply, where he was primarily responsible for supervising its production technics, equipment installation and management as well as team building and training. From December 2016 to December 2017, Mr. Huang served as a director of Guigang Environmental Protection, where he was primarily responsible for providing advice to its board on relevant business.

Mr. Huang received his certificate of advanced furnace technics (高級司爐工技術證書) from the Bureau of Labor of Guigang in October 1998.

Non-executive Directors

Mr. Zhou Min (周敏), aged 56, was appointed as our Director on 26 March 2019 and was re-designated as our non-executive Director and chairman on 9 April 2019. Mr. Zhou is primarily responsible for leading our Board, ensuring the effective operation of our Board and providing business strategy and management advice to our Board.

From May 2001 to May 2014, Mr. Zhou served as the executive director and chief financial officer of BE Zhongkecheng Environmental where he was primarily responsible for its financial management. Since May 2014, Mr. Zhou has been the chairman of BE Zhongkecheng Environmental where he has been primarily responsible for its overall management. From August 2008 to March 2016, Mr. Zhou served as an executive director of BEWG and was primarily responsible for overseeing its daily operations, corporate development, administrative management, capital operations and risk control. Since March 2016, Mr. Zhou has been an executive director and the chief executive officer of BEWG where he has been primarily responsible for its overall operations management.

Mr. Zhou received his bachelor's degree in law from National University of Defense Technology (中國人民解放軍國防科學技術大學) (now known as 中國人民解放軍國防科技大學) in the PRC in June 2002, and his executive master's degree of business administration from Tsinghua University (清華大學) in the PRC in January 2008.

Mr. Li Li (李力), aged 54, was appointed as our Director on 26 March 2019 and was re-designated as our non-executive Director on 9 April 2019. Mr. Li is primarily responsible for providing business strategy and management advice to our Board.

From September 1988 to September 2001, Mr. Li served several positions at Zhong Ji First Design & Research Institute Company Limited* (中機第一設計研究院有限公司) (formerly known as Mechanical Industry First Design & Research Institute Company Limited* (機械工業第一設計研究院)), a company principally engaged in construction design and consultancy, where he last served as a vice director and was primarily responsible for marketing. From October 2001 to January 2007, Mr. Li joined Beijing Sound Environmental Construction Company Limited* (北京桑德環境工程有限公司) ("Beijing Sound"), a water construction provider as a general manager, where he was primarily responsible for its daily operations management. From January 2007 to February 2011, Mr. Li served as the chief executive officer and last served as an executive director of Sound International Co., Ltd. (桑德國際有限公司), the parent company of Beijing Sound, where he was primarily responsible for overseeing its overall operations and management.

Mr. Li joined BEWG in October 2010. In February 2014, Mr. Li started to serve as an executive director at BEWG and became an executive president in March 2016, during which he has been primarily responsible for overseeing its daily operations and operations management.

Mr. Li received his bachelor's degree in mechanical engineering majoring in welding from Xi'an Jiaotong University (西安交通大學) in the PRC in July 1988 and his doctor's degree in engineering from Tsinghua University (清華大學) in the PRC in April 2018. Mr. Li obtained his certificate of senior engineer (高級工程師) from Beijing Senior Professional and Technical Positions Review Committee (北京市高級專業技術職務評審委員會) in November 1997.

Mr. Li Haifeng (李海楓), aged 49, was appointed as our Director on 26 March 2019 and was re-designated as our non-executive Director on 9 April 2019. Mr. Li is primarily responsible for providing business strategy and management advice to our Board.

From September 1992 to September 2000, he served as an assistant president of Peking University Founder Group Co., Ltd.* (北大方正集團有限公司), a company principally engaged in information technology, medical and financial services, where he was primarily responsible for human resources, export and import function and securities investment. From January 2001 to December 2005, he served as an executive vice president of Founder Xintiandi Software Technology Co. Ltd. (方正新天地軟件科技有限公司), an information management solution provider where he was primarily responsible for overseeing overseas marketing and logistic arrangements.

From September 2006 to July 2008, Mr. Li served as a supervisor of BE Zhongkecheng Environmental where he was primarily responsible for exploring business opportunities in the PRC. Since August 2008, Mr. Li has been an executive director and vice president of BEWG where he has been primarily responsible for coordinating overseas business and capital market.

From April 2010 to April 2013, Mr. Li served as an independent non-executive director of Simsen International Corporation Limited (now known as Huarong International Financial Holdings Limited (華融國際金融控股有限公司)), a company principally engaged in securities, corporate finance and asset management and listed on the Main Board of the Stock Exchange (stock code: 993), where he was primarily responsible for providing independent advice to the board. Since June 2011, Mr. Li has been the chairman and an executive director of Carry Wealth Holdings Limited (恒富控股有限公司), a garment manufacturer listed on the Main Board of the Stock Exchange (stock code: 643), where he has been primarily responsible for providing overall strategy to the Company.

Mr. Li received his bachelor's degree in law from Peking University (北京大學) in the PRC in July 1992.

Independent non-executive Directors

Mr. Orr Ka Yeung, Kevin (柯家洋), aged 41, was appointed as our independent non-executive Director on 19 December 2019.

Mr. Orr was appointed as the Group Vice President & Chief Investment Officer of Winner Medical Co., Ltd. (穩健醫療用品股份有限公司), a medical device and consumer healthcare & lifestyle new economy conglomerate in July 2017, where he is mainly responsible for group strategic investments and corporate affairs. He was appointed as the General Manager of Winner Medical (Hong Kong) Limited (穩健醫療(香港)有限公司) in May 2002.

Mr. Orr is a committee member of All-China Youth Federation (中華全國青年聯合會); a standing committee member of Beijing Youth Federation (北京市青年聯合會); the vice chairman of Hong Kong United Youth Association; the vice chairman of the Hong Kong Medical & Healthcare Device Industries Association Limited; the founding advisor of Hong Kong O2O E-commerce Federation; a director of Centum Charitas Foundation; a co-opted member of The Social Innovation and Entrepreneurship Development Fund Task Force under the Commission on Poverty of the HKSAR Government; and a standing committee member on public engagement and partnership of The Hong Kong Council of Social Service.

Mr. Orr received his Bachelor of Arts degree from University of Victoria in Canada in October 2002; his Master of Business Administration degree from The Hong Kong Polytechnic University in November 2010; and his Master of Public Health degree in Faculty of Medicine of The Chinese University of Hong Kong in November 2015. Mr. Orr received the Gold Medal award of the 54th World Exhibition of Innovation, Research and New Technology in 2005 (also known as Brussels Eureka 2005). Mr. Orr received the Distinguished Alumni Award of University of Victoria, and Young Industrialists Award of Hong Kong in 2019.

Mr. Wu Tak Kong (胡德光), aged 54, was appointed as our independent non-executive Director on 19 December 2019.

From May 1987 to September 1989, Mr. Wu served as an auditor and associate senior auditor at various accounting firms where he was primarily responsible for audit work. From April 1992 to June 1994, he served as an accountant and a company director of Choice Cher Limited (銓興國際有限公司), a company principally engaged in import and export business, where he was primarily responsible for general accounting and administrative matters. From September 1994 to April 1997, he served as an accountant of Fordley & Lee Co* (福萊洋行), a clothing retail chain trading company where he was primarily responsible for cash and inventory management, supervision of accounting staff and preparation of financial statements. From May 1998 to July 2009, he served as an accounting manager of Kao Chemical (Hong Kong) Limited (花王化學(香港)有限公司), a company principally engaged in the trading and manufacturing of polyurethane chemical products where he was primarily responsible for the management of the accounting departments in Hong Kong office and the factory in the PRC. From December 2009 to March 2010, he served as a finance manager of Mobicool International Limited (美固國際有限公司), a company principally engaged in the manufacturing and sales of refrigerators, where he was primarily responsible for financial management. From April 2011 to July 2016, he served as an audit manager of Keith Lam & Co. (林樂麒會計師事務所), an accounting firm where he was primarily responsible for providing audit services to corporate clients. From September 2016 to September 2017, he served as the compliance officer of Yuzhou Financial Holdings Limited* (禹洲金融控股有限公司), a company principally engaged in finance, investments, funds, trade and asset management, where he was primarily responsible for supervising the internal compliance matters. Since September 2011, he has been the chief executive officer of Profassess Corporate Consultants Limited (衡潤企業顧問有限公司), a consultancy firm where he has been primarily responsible for overseeing the financial and compliance professional services. Since June 2017, he has been a director of Leading Champway CPA Limited (領創會計師事務所有限公司), an accounting firm where he has been primarily responsible for providing auditing and other services to corporate clients. From November 2017 to January 2020, he served as an independent non-executive director of Ta Yang Group Holdings Limited (大洋集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1991). Since November 2017, Mr. Wu has been serving as a non-executive director of Kong Sun Holdings Limited (江山控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 295).

Mr. Wu was admitted as a member of the Association of Chartered Certified Accountants in October 2002. He has been a member of the Hong Kong Institute of Certified Public Accountants since March 2003 and a fellow member of the Association of Chartered Certified Accountants in October 2007. Mr. Wu was admitted as a member of the Hong Kong Securities and Investment Institute in July 2016.

Mr. Wu received his master's degree in business administration from The Hong Kong Polytechnic University with credit in October 2008.

Dr. Du Huanzheng (杜歡政), aged 57, was appointed as our independent non-executive Director on 19 December 2019.

From 1984 to August 2013, Dr. Du successively served as a lecturer, associate professor and professor presenting economics, circular economy and statistics related at Jiaxing College (嘉興學院) and became its vice president in April 2003. Since July 2014, Dr. Du has been serving as a professor at Tongji University (同濟大學) where he was primarily responsible for circular economy related teaching and research work. Since March 2018, Dr. Du has been a doctoral supervisor and professor of United Nations Environment Program – Tongji Institute of Environment for Sustainable Development (聯合國環境署－同濟大學環境與可持續發展學院) at Tongji University, where he has been primarily responsible for circular economy related courses teaching and research work. Dr. Du is also a director of Circular Economy Research Institute (循環經濟研究所) at Tongji University.

Dr. Du is a member of the Expert Consultant Committee of the Inter-Ministerial Joint Conference on the Development of Circular Economy of NDRC (國家發改委發展循環經濟工作部際聯席會議專家諮詢委員會), a vice director of Environmental Management Committee of Society of Management Science of China (中國管理科學學會環境管理專業委員會), an expert of China Association of Circular Economy (中國循環經濟協會) and a member of the Investment and Financing Expert Committee of China Association of Circular Economy (中國循環經濟協會投融資專家委員會). Dr. Du has led various national and provincial research projects in the circular economy field. Dr. Du was selected as a finalist for The Circulars 2019, the world's premier circular economy award program, in the Leadership Category in March 2019.

Dr. Du received his bachelor's degree in economy in July 1984 and his master's degree in economy in July 1996 from Renmin University of China (中國人民大學) in the PRC. He also received his doctor's degree of philosophy from University of Tsukuba in Japan in January 2012.

SENIOR MANAGEMENT

Mr. Chen Zhen (陳震), aged 50, has been our vice president since September 2017 and has been primarily responsible for the overall management of hazardous waste treatment service segment of our Group.

Prior to joining our Group, from March 2001 to March 2008, Mr. Chen served as a senior project manager of strategy and planning department of CITIC Group Corporation (中國中信集團有限公司) ("CITIC Group"), a financial services provider where he was primarily responsible for strategic business planning and project management. From January 2007 to December 2007, he also served as a deputy business general manager at Karazhanbas Oilfield of the CITIC Group primarily engaged in oil extraction, where he was primarily responsible for oil field procurement management and crude oil sales management. From December 2007 to December 2012, Mr. Chen served as a deputy general manager and a member of joint venture committee of Tianshi Group Energy Co., Ltd. (天時集團能源有限公司), a subsidiary of CITIC Group principally engaged in crude oil development and production, where he was primarily responsible for the management of administration, human resources, finance, procurement and crude oil sales. From September 2013 to July 2015, Mr. Chen served as the general manager of BOMCO-Beijing Offshore Petroleum Engineering Technology Co., Ltd. (北京寶石海洋石油工程技術有限責任公司), an offshore drilling services provider where he was primarily responsible for overseeing business, financial and administrative management. From July 2015 to July 2017, Mr. Chen served as the president of Guangdong Zuanda Petrochemical Group (廣東鑽達石油化工集團), a company principally engaged in petrochemical products business, where he was primarily responsible for overall business development.

Mr. Chen received his bachelor's degree in welding technology and equipment from Xiangtan University (湘潭大學) in the PRC in July 1991, and his master's degree in management science and engineering from Beijing University of Science and Technology (北京科技大學) in the PRC in March 2001.

Mr. Fung Che Wai, Anthony (馮志偉), aged 51, has been the chief financial officer of our Group since May 2017, where he is primarily responsible for the supervision and management of finance of our Group. Mr. Fung is appointed as the Company Secretary of the Company on 19 December 2019.

Prior to joining our Group, from August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager at Deloitte Touche Tohmatsu, an accounting firm where he was primarily responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung served as a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company where he was primarily responsible for advising the client on corporate finance and investor relations matters. From January 2008 to August 2010, Mr. Fung served as a vice president of NagaCorp Limited (金界控股有限公司), a licensed casino listed on the Main Board of the Stock Exchange (stock code: 3918), where he was primarily responsible for the investor relations matters and liaison with existing and potential investors as well as analysts. From January 2011 to July 2014, Mr. Fung served as the chief financial officer and company secretary of Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司) (now known as Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司)), a property developer listed on the Main Board of the Stock Exchange (stock code: 2098), where he was primarily responsible for financial and compliance matters. From July 2014 to April 2017, Mr. Fung served as the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator listed on the Main Board of the Stock Exchange (stock code: 295), where he was primarily responsible for the overall financial operations, company secretarial matters and investor relations. From September 2014 to April 2017, Mr. Fung served as an independent supervisor of Chery Huiyin Motor Finance Service Co., Ltd.* (奇瑞徽銀汽車金融股份有限公司), an automobile finance joint venture, where he was primarily responsible for monitoring the company's operations as a member of the board of supervisors. Since April 2017, Mr. Fung has been an independent non-executive director of FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)有限公司), a financial services provider listed on the growth enterprise market of the Stock Exchange (stock code: 8452), where he has been primarily responsible for supervising and providing independent advice to the board. Since July 2017, Mr. Fung has been an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司), a coconut food manufacturer and seller listed on the Main Board of the Stock Exchange (stock code: 1695), where he has been primarily responsible for supervising and providing independent advice to the board. Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in October 2001 and September 2005, respectively.

* *For identification purposes only*

The Directors present their first report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Principal activities of the principal subsidiaries comprise environmental hygiene services, hazardous waste treatment business and waste electrical and electronic equipment treatment business, details of which are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

CORPORATE REORGANISATION

The Company was incorporated in Cayman Islands with limited liability on 26 March 2019. The Group underwent a reorganization (the "Reorganization") to rationalize the structure of the Group in preparation for the initial public offering of the shares of the Company (the "Shares") on the Main Board of the Stock Exchange (the "Share Offer"). Details of the Reorganization are set out in the section headed "History, Development and Reorganization" in the prospectus of the Company dated 30 December 2019.

The Shares were listed on the Main Board of the Stock Exchange by way of Share Offer with effect from 15 January 2020.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 45 to 123.

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2019 (2018: Nil).

BUSINESS REVIEW

A discussion and review on the business activities of the Group, including an indication of likely future development in the Group's businesses and an analysis of the Group's performance during the year ended 31 December 2019 using financial key performance indicators are provided in the "Chairman's Statement" set out on pages 3 to 5 and sections headed "Business Review" and "Financial Performance" under "Management Discussion and Analysis" set out on pages 6 to 11 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 46 to the financial statements. Description of principal risks and uncertainties that the Group may be facing, environmental policies and performance of the Group, compliance with relevant laws and regulations which have a significant impact on the Group and relationship with stakeholders are set out in "Management Discussion and Analysis" on pages 12 to 13 of this annual report. These discussions form part of this report.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM of the Company to be held on Friday, 5 June 2020, 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, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 June 2020.

FOUR YEAR FINANCIAL SUMMARY

A summary of the results the assets, liabilities and non-controlling interests of the Group as at 31 December 2019 and for the last three financial years, as extracted from the published audited financial statements and the prospectus of the Company dated 30 December 2019, as restated as appropriate, is set out on page 124 of this annual report. This summary does not form part of the audited financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2019 are set out in note 1 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 35 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company did not have reserves available for distribution to the shareholders.

DONATIONS

During the year ended 31 December 2019, the Group made charitable and other donations amounting to HK$1 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, purchases attributable to the Group's five largest suppliers and revenue from the Group's five largest customers accounted for approximately 34% and 17% of the Group's total purchases and total revenue, respectively. Purchases from the largest supplier accounted for 12% of the Group's total purchases.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Zhao Kexi *(Chief Executive Officer)*	(appointed on 26 March 2019)
Mr. Zhang Hailin	(appointed on 26 March 2019)
Mr. Huang Zhiwan	(appointed on 26 March 2019)

Non-executive Directors

Mr. Zhou Min *(Chairman)*	(appointed on 26 March 2019)
Mr. Li Li	(appointed on 26 March 2019)
Mr. Li Haifeng	(appointed on 26 March 2019)

Independent Non-executive Directors

Mr. Orr Ka Yeung, Kevin	(appointed on 19 December 2019)
Mr. Wu Tak Kong	(appointed on 19 December 2019)
Dr. Du Huanzheng	(appointed on 19 December 2019)

In accordance with article 83(3) of the Articles of Association of the Company, all the Directors will retire by rotation at the AGM and, being eligible, offer themselves for re-election.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has duly reviewed the independence of each of these Directors. The Company considered that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and as at the date of this report all of them are still considered to be independent.

CHANGE IN INFORMATION OF A DIRECTOR UNDER RULE 13.51B(1) OF THE LISTING RULES

Change in information of a Director since the date of the prospectus of the Company dated 30 December 2019 and up to the date of this annual report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. Wu Tak Kong, an independent non-executive Director of the Company, resigned as an independent non-executive director of Ta Yang Group Holdings Limited (大洋集團控股有限公司) (stock code: 1991) on 13 January 2020.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out on pages 25 to 30 of this annual report.

DIRECTORS' SERVICE CONTRACTS

All executive Directors had entered into service agreements and all non-executive and independent non-executive Directors had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the Articles of Association.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to the approval of the Company's shareholders at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the Remuneration Committee. Save as disclosed in "Directors' Remuneration" in note 8 to the financial statements, during the year ended 31 December 2019, none of the Directors waived his emoluments nor has agreed to waive his emoluments for the year. Further details of the Company's Directors' remuneration are set out in note 8 to the financial statements.

Further details of the Remuneration Committee are set out in the Corporate Governance Report on page 20 of this annual report.

EMOLUMENT POLICY

The emolument of each of the Directors and the employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

EMPLOYEE BENEFITS

Defined contribution plans

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local governments, the assets of which are held separately from those of the Group. Contributions are made by the subsidiaries based on a percentage of the participating employees' salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes. The employer contributions vest fully once made.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Except for voluntary contributions, no forfeited contributions under the above pension schemes and MPF Scheme are available to reduce the contribution payable in future years.

During the year ended 31 December 2019, total contributions to the Group's pension scheme contributions charged to profit or loss amounted to approximately HK$137,141,000 (2018: HK$119,564,000).

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty. The Company has taken out and maintained Directors' and officers' liability insurance which provides appropriate cover for, among others, Directors and officers of the Company from the Listing Date to the date of this report.

DISCLOSURE OF INTERESTS

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

As the Shares have not been listed on the Stock Exchange during the year ended 31 December 2019, Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code as set out in Appendix 10 of the Listing Rules do not apply to the Company as at 31 December 2019.

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

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

Name of Directors	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the Company's Issued Share Capital *(Note 1)*
Mr. Zhao Kexi	–	–	192,200,000 *(Note 2)*	–	192,200,000	5.34%
Mr. Zhang Hailin	–	–	192,200,000 *(Note 2)*	–	192,200,000	5.34%
Mr. Zhou Min	–	–	104,820,000 *(Note 3)*	–	104,820,000	2.91%
Mr. Li Haifeng	–	–	48,960,000 *(Note 4)*	–	48,960,000	1.36%

Notes:

1. The approximate percentage was calculated on the basis of 3,600,000,000 Shares in issue as at the date of this report.

2. 192,200,000 Shares were held by Shanghai Ziyue Enterprises Management Partnership (Limited Partnership) (上海自閱企業管理合夥企業(有限合夥)) ("Shanghai Ziyhue"), of which Mr. Zhao Kexi and Mr. Zhang Hailin are limited partners held as to 20.04% and 10.06% interests in Shanghai Ziyue. Therefore, Mr. Zhao Kexi and Mr. Zhang Hailin were deemed to have interests in those Shares of the Company under the SFO.

3. 104,820,000 Shares were held by Star Colour Investments Limited ("Star Colour"), a company wholly-owned by Mr. Zhou Min. Accordingly, Mr. Zhou Min is deemed to have interests in those Shares of Star Colour under the SFO.

4. 48,960, 000 Shares were held by Maolin Investments Limited (MIL"), a company wholly-owned by Mr. Li Haifeng. Accordingly, Mr. Li Haifeng is deemed to have interests in those Shares of MIL under the SFO.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2019 were rights to acquire benefits by means of the acquisition of shares or shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in notes 8 and note 43 to the financial statements, no Directors nor a connected entity of a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors nor their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules during the year ended 31 December 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As the Shares have not been listed on the Stock Exchange during the year ended 31 December 2019, Section 336 of the SFO do not apply to the substantial shareholders as at 31 December 2019.

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

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

Name of shareholders	Capacity in which Shares are held	Number of Shares held	Approximate percentage of the Company's issued Share capital *(Note 1)*
Beijing Enterprises Group Company Limited ("BE Group") *(Note 2)*	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Group (BVI) Company Limited ("BE BVI") *(Note 2)*	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Holdings Limited ("BEHL") *(Note 2)*	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Environmental Construction Limited ("BE Environmental") *(Note 2)*	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Water Group Limited ("BEWG") *(Note 2)*	Beneficial interests	1,009,600,000	28.04%
Chang Tat Joel *(Note 3)*	Interest of controlled corporation	891,000,000	24.75%
Brilliant Champ Investments Limited ("Brilliant Champ") *(Note 3)*	Interest of controlled corporation	891,000,000	24.75%
Genius Link Utilities GP Limited ("Genius Link GP") *(Note 3)*	Interest of controlled corporation	891,000,000	24.75%
Genius Link Utilities L.P. ("Genius Link L.P.") *(Note 3)*	Beneficial interests	891,000,000	24.75%
Central Huijin Investment Ltd. ("Central Hujin Investment") *(Note 4)*	Interest of controlled corporation	216,000,000	6.00%
China Construction Bank Corporation ("CCB Corporation") *(Note 4)*	Interest of controlled corporation	216,000,000	6.00%
CCB International Group Holdings Limited ("CCB International Group") *(Note 4)*	Interest of controlled corporation	216,000,000	6.00%
CCB Financial Holdings Limited ("CCB Financial Holdings") *(Note 4)*	Interest of controlled corporation	216,000,000	6.00%
CCB International (Holdings) Limited ("CCB International Holdings") *(Note 4)*	Interest of controlled corporation	216,000,000	6.00%
CCB International Asset Management Limited ("CCB Asset Management") *(Note 4)*	Interest of controlled corporation	216,000,000	6.00%
HNW Investment Fund Series SPC acting for and on behalf of PF Fund Segregated Portfolio ("HNW Investment") *(Note 4)*	Beneficial interests	216,000,000	6.00%
Zhang Yao *(Note 5)*	Interest of controlled corporation	204,100,000	5.67%
Glowing Trend Investments Limited ("Glowing Trend") *(Note 5)*	Beneficial interests	204,100,000	5.67%
Yan Youhui *(Note 6)*	Interest of controlled corporation	192,200,000	5.34%
Zhao Zhen *(Note 6)*	Interest of controlled corporation	192,200,000	5.34%
Shanghai Ziyue *(Note 6)*	Beneficial interests	192,200,000	5.34%

Notes:

1. The approximate percentage was calculated on the basis of 3,600,000,000 Shares in issue as at the date of this report.

2. 1,009,600,000 Shares are held by BEWG. BEWG is directly held as to approximately 41.13% by BE Environmental. BE Environmental is a wholly-owned subsidiary of BEHL, which is deemed to be held as to approximately 61.96% by BE Group through BE BVI (BE Group's direct wholly-owned subsidiary), Beijing Enterprises Investments Limited ("BEIL") (a company being directly held as to 72.72% by BE BVI), and Modern Orient Limited (BEIL's direct wholly-owned subsidiary).

3. Genius Link L.P. is managed by Genius Link GP. Genius GP is wholly-owned by Brilliant Champ which is in turn wholly-owned by Chang Tat Joel. By virtue of the SFO, each of the Genius Link GP, Brilliant Champ and Chang Tat Joel is deemed to be interested in all the Shares beneficially held by Genius Link L.P.

4. HNW Investments is wholly-owned by CCB Asset Management which is in turn wholly-owned by CCB International Holdings. CCB International Holdings is wholly-owned by CCB Financial Holdings, which is in turn wholly-owned by CCB International Group. CCB International Group is wholly-owned by CCB Corporation, which is in turn owned as to 57.11% by Central Hujin Investment. By virtue of the SFO, each of Central Huijin Investment, CCB Corporation, CCB International Group, CCB Financial Holdings, CCB International Holdings and CCB Asset Management is deemed to be interested in all the Shares beneficially held by HNW Investment.

5. Glowing Trend is wholly-owned by Zhang Yao.

6. Shanghai Ziyue is a limited partnership. Yan Youhui and Zhao Zhen are general partners of Shanghai Ziyue.

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

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

CONNECTED TRANSACTIONS

During the year ended 31 December 2019, the Group entered into the following connected transactions which were subject to reporting and announcement requirements but are exempted from the independent shareholders' approval requirements.

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year ended 31 December 2019:

1. Framework Operating and Management Agreement

On 1 April 2019, Guigang Environmental Protection, an indirectly wholly-owned subsidiary of BEWG, entered into a framework operating and management agreement (the "Framework O&M Agreement") with Guigang Sanitation, pursuant to which Guigang Sanitation agreed to provide operating and management services in relation to the domestic waste treatment and transfer in certain areas of Guigang city, Guangxi Zhuang autonomous region, for a term commencing from 1 April 2019 to 31 December 2021. The annual cap amounts for the years ending 31 December 2019, 31 December 2020, and 31 December 2021 will be RMB11.2 million, RMB 15.3 million and RMB 15.7 million, respectively.

2. Technical Service Agreement

On 20 September 2019, Beijing Enterprises Urban Services (Quannan) Limited* (北控城市服務(全南)有限公司) ("BE Quannan") entered into a technical service agreement (the "Technical Service Agreement") with Hunan BE Well-Point Environmental Science & Technology Limited* (全南縣北控威保特環境科技有限公司) ("Hunan BE Well-Point"), which is indirectly owned as to 40% by BEWG, pursuant to which Hunan BE Well-Point agreed to provide technical services including landfill services and relevant maintenance of landfill facilities to BE Quannan at Quannan county, Jiangxi province, for a term commencing from 1 January 2019 to 31 December 2021. The annual cap amounts for the years ending 31 December 2019, 31 December 2020, and 31 December 2021 will be RMB4.2 million, RMB 4.5 million and RMB 4.5 million, respectively.

Pursuant to Rule 14A.55 of the Listing Rules, the continuing connected transactions set out above have been reviewed by the independent non-executive Directors, who confirmed that the aforesaid continuing connected transaction was entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors, Ernst & Young, were engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

The Group entered into certain activities with parties regarded as "Related Parties" under applicable accounting principles.

These mainly relate to the activities in the ordinary course of the Group's business and were negotiated on normal commercial terms and an arm's length basis. Certain transactions set out in note 43 to the financial statements are connected transactions as defined under the Listing Rules and were exempted and complied with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.71 of the Listing Rules during the year ended 31 December 2019 are provided in the section headed "Connected Transactions" of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float as required under the Listing Rules since the Listing Date and up to the date of this report.

CORPORATE GOVERNANCE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. As the Company was not yet listed on the Main Board of the Stock Exchange until the Listing Date, the CG Code was not applicable to the Company during the year ended 31 December 2019. In the opinion of the Board, since the Listing Date and up to the date of this report, the Company has complied with all the applicable code provisions of the Code as set out in Appendix 14 of the Listing Rules.

The Corporate Governance Report is set out in pages 14 to 24 of this annual report.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

As the Company was not yet listed on the Main Board of the Stock Exchange until the Listing Date, the Model Code was not applicable to the Company during the year ended 31 December 2019. Since the Listing Date and up to the date of this report, the Company has adopted the Model Code as 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 Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code.

INTERESTS OF THE COMPLIANCE ADVISERS

In accordance with Rule 3A.19 of the Listing Rules, the Company has appointed Somerley Capital Limited ("Somerley Capital") as the compliance adviser. Somerley Capital, being the compliance adviser in relation to the listing on the Main Board of Stock Exchange, has declared its independence pursuant to Rule 3A.07 of the Listing Rules. Pursuant to the agreement dated 2 April 2019 entered into between Somerley Capital and the Company, Somerley Capital will receive fees for acting as the Company's compliance adviser.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM for the re-appointment of Ernst & Young as auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 47 to the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the Board on 27 March 2020.

On behalf of the Board

Zhou Min
Chairman

27 March 2020

* *For identification purposes only*

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To the shareholders of Beijing Enterprises Urban Resources Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Enterprises Urban Resources Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 45 to 123, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
The Group acquired certain companies engaging in environmental hygiene business and hazardous waste treatment business in prior years and an aggregate goodwill of approximately HK$280 million arose from these acquisitions. The recoverable amounts of the relevant businesses units were determined based on the value in use of the Group's environmental hygiene business and hazardous waste treatment business, which were determined based on the future cash flows of the environmental hygiene business and hazardous waste treatment business and discounted to the present values. The assumptions and methodologies used by the Group, including the waste treatment fee and service fee received, operating costs, capital expenditures, growth rates and discount rates, in the projected cash flows had significant effects on the determination of the recoverable amounts of the relevant cash-generating units. We identified the goodwill impairment assessment as a key audit matter because of the significant balance of goodwill and significant management judgement and estimation involved. Related disclosures are included in notes 2.4 and 16 to the financial statements.	We involved our internal valuation specialists to assist us in evaluating the valuation models, assumptions and parameters used by the Group, giving particular attention to the estimated future revenues and results. Our procedures included testing the assumptions used in the cash flow forecast, assessing the accuracy of previous forecasts by comparing them with the current performance, and evaluate the growth and trading assumptions. We also carried out audit procedures on management's sensitivity calculations. We then assessed the disclosures on the impairment testing, specifically the key assumptions that have the most significant effect on the determination of the recoverable amount of the goodwill, such as the discount rates and growth rates.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Tsang Chiu Hang.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**2,711,228**	1,862,618
Cost of sales		**(1,927,783)**	(1,308,123)
Gross profit		**783,445**	554,495
Other income and gains, net	5	**59,916**	55,079
Administrative expenses		**(320,017)**	(291,474)
Selling and distribution expenses		**(14,306)**	(6,427)
Other expenses		**(3,362)**	(3,682)
Finance costs	7	**(72,343)**	(43,939)
Share of profit/(loss) of a joint venture		**27**	(1,184)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**433,360**	262,868
Income tax expense	10	**(87,492)**	(43,235)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**345,868**	219,633
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	11	**6,146**	252,308
PROFIT FOR THE YEAR		**352,014**	471,941
Attributable to:			
Owners of the parent		**281,328**	430,383
Non-controlling interests		**70,686**	41,558
		352,014	471,941
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
– Translation of foreign operations		**(50,771)**	(93,740)
– Release upon disposal of subsidiaries		**8,526**	(4,216)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**309,769**	373,985
Attributable to:			
Owners of the parent		**264,294**	344,576
Non-controlling interests		**45,475**	29,409
		309,769	373,985
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	13		
Basic and diluted (HK cents)			
For profit for the year		**HK10.42 cents**	HK15.94 cents
For profit from continuing operations		**HK9.99 cents**	HK5.68 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,748,584**	1,526,868
Right-of-use assets	15	**334,519**	313,097
Goodwill	16	**279,586**	392,878
Operating concessions	17	**114,006**	60,522
Other intangible assets	18	**2,490**	1,319
Prepayments, deposits and other receivables	25	**115,379**	152,092
Investment in an associate	19	**–**	571
Investment in a joint venture	20	**32,144**	33,618
Trade receivables	23	**24,663**	–
Contract assets	21	**42,388**	68,262
Deferred tax assets	33	**6,700**	1,643
Total non-current assets		**2,700,459**	2,550,870
CURRENT ASSETS			
Inventories	22	**44,733**	86,982
Trade and bills receivables	23	**775,332**	656,881
Environmental decommissioning fees receivable	24	**219,460**	136,551
Contract assets	21	**3,513**	5,684
Other tax recoverable	30	**66,693**	68,162
Prepayments, deposits and other receivables	25	**84,606**	161,038
Due from related companies	26	**3,233**	472,005
Due from non-controlling shareholders	26	**22,679**	23,125
Pledged deposits	27	**14,596**	6,810
Cash and cash equivalents	27	**1,051,896**	734,314
Total current assets		**2,286,741**	2,351,552
CURRENT LIABILITIES			
Trade and bills payables	28	**160,529**	121,928
Other payables and accruals	29	**825,663**	938,088
Other taxes payable	30	**22,623**	26,339
Income tax payable		**42,948**	24,959
Due to related companies and shareholders	26	**1,876**	32,703
Due to non-controlling shareholders	26	**–**	2,498
Interest-bearing bank and other borrowings	31	**563,950**	306,244
Total current liabilities		**1,617,589**	1,452,759
NET CURRENT ASSETS		**669,152**	898,793
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,369,611**	3,449,663

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Deferred income	32	147,712	140,730
Other payables and accruals	29	116,526	85,686
Deferred tax liabilities	33	16,829	24,835
Interest-bearing bank and other borrowings	31	825,831	1,048,903
Provision for major overhaul	34	5,155	4,999
Total non-current liabilities		1,112,053	1,305,153
Net assets		2,257,558	2,144,510
EQUITY			
Equity attributable to owners of the parent			
Share capital	35	270,000	–
Reserves	36	1,543,820	1,555,476
		1,813,820	1,555,476
Non-controlling interests		443,738	589,034
Total equity		2,257,558	2,144,510

Zhou Min
Director

Zhao Kexi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Notes	Issued capital HK$'000 (note 35)	Capital reserve HK$'000	Merger reserve HK$'000 (note 36(b))	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000 (note 36(c))	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the parent								
At 1 January 2018		–	–	872,867	49,863	15,827	(174,721)	763,836	337,605	1,101,441
Profit for the year		–	–	–	–	–	430,383	430,383	41,558	471,941
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations		–	–	–	(81,591)	–	–	(81,591)	(12,149)	(93,740)
Release upon disposal of a subsidiary	40	–	–	–	(4,216)	–	–	(4,216)	–	(4,216)
Total comprehensive income/(loss) for the year		–	–	–	(85,807)	–	430,383	344,576	29,409	373,985
Capital contributions by the then equity owners		–	–	450,000	–	–	–	450,000	–	450,000
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	57,335	57,335
Transfer between reserves		–	–	–	–	22,230	(22,230)	–	–	–
Acquisition of subsidiaries	39	–	–	–	–	–	–	–	142,994	142,994
Acquisition of a non-controlling interest		–	(2,936)	–	–	–	–	(2,936)	(3,436)	(6,372)
Disposal of subsidiaries	40	–	–	24,963	–	(3,276)	(21,687)	–	25,127	25,127
At 31 December 2018 and 1 January 2019		–	(2,936)*	1,347,830*	(35,944)*	34,781*	211,745*	1,555,476	589,034	2,144,510
Profit for the year		–	–	–	–	–	281,328	281,328	70,686	352,014
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations		–	–	–	(25,560)	–	–	(25,560)	(25,211)	(50,771)
Release upon disposal of subsidiaries	40	–	–	–	8,526	–	–	8,526	–	8,526
Total comprehensive income/(loss) for the year		–	–	–	(17,034)	–	281,328	264,294	45,475	309,769
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	47,230	47,230
Transfer between reserves		–	–	–	–	56,963	(56,963)	–	–	–
Issue of shares	35	1,350,000	–	(1,350,000)	–	–	–	–	–	–
Capital reduction	35	(1,080,000)	1,080,000	–	–	–	–	–	–	–
Acquisition of non-controlling interests		–	(4,890)	–	–	–	–	(4,890)	(21,863)	(26,753)
Disposal of subsidiaries	40	–	3,895	–	–	(4,955)	–	(1,060)	(216,138)	(217,198)
At 31 December 2019		270,000	1,076,069*	(2,170)*	(52,978)*	86,789*	436,110*	1,813,820	443,738	2,257,558

* These reserve accounts comprise the consolidated reserves of HK$1,543,820,000 (2018: HK$1,555,476,000) in the consolidated statements of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**433,360**	262,868
From discontinued operation		**6,146**	252,308
Adjustments for:			
Depreciation of property, plant and equipment	14	**190,410**	128,537
Depreciation of right-of-use assets	15	**34,806**	21,868
Amortisation of operating concessions	17	**10,972**	5,312
Amortisation of intangible assets	18	**399**	667
Write-down of inventories to net realisable value	11	**–**	30,971
Impairment/(reversal of impairment) losses of trade receivables, net	6	**742**	1,534
Interest income		**(8,394)**	(7,744)
Finance costs		**72,343**	58,118
Gain on bargain purchase of subsidiaries	5	**–**	(4,726)
Gain on disposal of subsidiaries	40	**(20,290)**	(315,920)
Gain on disposal of an associate	5	**–**	(526)
Loss/(gain) on disposal of items of property, plant and equipment, net	6	**(3,249)**	189
Share of losses/(profit) of a joint venture		**(27)**	1,184
		717,218	434,640
Decrease/(increase) in inventories		**28,379**	(51,765)
Decrease/(increase) in contract assets		**27,201**	(1,755)
Increase in trade and bills receivables		**(270,554)**	(276,510)
Increase in environmental decommissioning fees receivable		**(109,179)**	(58,016)
Decrease/(increase) in prepayments, deposits and other receivables		**7,488**	(61,139)
Increase in trade and bills payables		**77,983**	22,051
Increase/(decrease) in other payables and accruals		**208,934**	(43,404)
Increase in deferred income		**18,543**	16,907
		706,013	(18,991)
Corporate income tax paid in the People's Republic of China (the "PRC" or "Mainland China")		**(70,472)**	(34,690)
Net cash flows from/(used in) operating activities		**635,541**	(53,681)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(769,588)**	(506,873)
Proceeds from disposal of items of property, plant and equipment		**104,299**	52,681
Proceeds from disposal of right-of-use assets		**1,386**	–
Proceeds from disposal of a subsidiary in prior years		**269,874**	–
Additions of right-of-use assets		**(43,915)**	(48,007)
Addition of an operating concession	17	**(66,010)**	–
Additions to other intangible assets	18	**(2,102)**	(1,116)
Prepayments for acquisition of land use rights		**–**	(43,220)
Advances to related companies and non-controlling shareholders		**–**	(206,997)
Repayments from related companies and non-controlling shareholders		**200,108**	155,584
Incorporation of an associate		**–**	(592)
Acquisition of subsidiaries	39	**–**	(101,889)
Settlement of consideration payable for acquisitions of subsidiaries in prior years		**(76,083)**	–
Acquisition of an investment in a joint venture		**–**	(20,419)
Disposal of subsidiaries	40	**67,856**	(2,360)
Disposal of an associate		**–**	4,779
Decrease/(increase) in pledged deposits		**(8,607)**	11,069
Decrease/(increase) in time deposits with maturity of more than three months when acquired		**55,940**	(57,065)
Interest received		**8,394**	7,744
Net cash flows used in investing activities		**(258,448)**	(756,681)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions by the then equity owners		–	119,520
Capital contributions from non-controlling shareholders		47,230	57,335
Repayments of bank and other borrowings		(237,852)	(155,276)
New bank and other borrowings		354,901	1,010,884
Principal portion of lease payments	37(b)	(32,193)	(21,223)
Advances from related companies and non-controlling shareholders		1,876	4,358
Repayments to related companies and non-controlling shareholders		(36,475)	(99,109)
Interest paid		(64,189)	(50,336)
Acquisition of non-controlling interests		(26,753)	(6,372)
Net cash flows from financing activities		6,545	859,781
NET INCREASE IN CASH AND CASH EQUIVALENTS		383,638	49,419
Cash and cash equivalents at beginning of year		677,249	631,114
Effect of foreign exchange rate changes, net		(8,991)	(3,284)
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,051,896	677,249
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statements of financial position	27	1,051,896	734,314
Less: Time deposit with maturity of more than three months when acquired		–	(57,065)
Cash and cash equivalents as stated in the consolidated statements of cash flows		1,051,896	677,249

Note: Net cash flows from operating activities from continuing operations were HK$649,635,000 for the year ended 31 December 2019. Net cash flows used in operating activities from continuing operations were HK$81,790,000 (restated) for the year ended 31 December 2018.

Net cash flows used in operating activities from discontinued operations were HK$14,094,000 for the year ended 31 December 2019. Net cash flows from operating activities from discontinued operations were HK$28,109,000 (restated) for the year ended 31 December 2018.

1. CORPORATE INFORMATION

Beijing Enterprises Urban Resources Group Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were 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

Pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company on the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 26 March 2019. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 30 December 2019 (the "Prospectus").

Information about subsidiaries:

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises Urban Services (Tuoketuo) Limited 北控城市服務(托克托)有限公司#	the PRC 15 March 2016	RMB7,590,000	–	100	Environmental hygiene services
Beijing Enterprises Cleaning (Beijing) Urban Environmental Service Limited 北控清道夫(北京)城市環境服務有限公司@	the PRC 1 March 2017	RMB1,960,000	–	51	Environmental hygiene services
Beijing Enterprises Urban Services (Xinji) Limited 北控城市服務辛集有限公司#	the PRC 12 April 2016	RMB15,000,000	–	100	Environmental hygiene services
Beijing Enterprises (Henan) Environmental Development Limited 北控(河南)環境發展有限公司@	the PRC 6 May 2016	RMB6,278,000	–	73	Environmental hygiene services
Beijing Enterprises Urban Services (Renhua) Limited 北控城市服務(仁化)有限公司#	the PRC 1 June 2016	RMB4,000,000	–	100	Environmental hygiene services

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises (Tangshan) Environmental Service Limited 北控(唐山)環境服務有限公司#	the PRC 28 July 2016	RMB6,000,000	–	100	Environmental hygiene services
Beijing Enterprises (Cangzhou Hejian) Environmental Service Limited 北控(滄州河間)環境服務有限公司#	the PRC 30 September 2016	RMB23,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Nong'an) Limited 北控城市服務(農安)有限公司#	the PRC 11 November 2016	RMB14,500,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Liquan) Limited 北控城市服務(禮泉)有限公司#	the PRC 16 November 2016	RMB9,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Nanxiong) Limited 北控城市服務(南雄)有限公司#	the PRC 22 November 2016	RMB7,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Zhongning) Limited 北控城市服務(中寧)有限公司@	the PRC 2 December 2016	RMB2,100,000	–	70	Environmental hygiene services
Beijing Enterprises (Qinhuangdao) Environmental Service Limited 北控(秦皇島)環境服務有限公司@	the PRC 27 December 2016	RMB18,000,000	–	90	Environmental hygiene services
Beijing Enterprises Urban Services (Hohhot Saihan District) Limited 北控城市服務(呼和浩特市賽罕區)有限公司@	the PRC 11 April 2017	RMB14,150,000	–	67	Environmental hygiene services
Beijing Enterprises Urban Services (Shanxi) Limited 北控城市服務(陝西)有限公司#	the PRC 29 December 2016	RMB14,917,550	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Wugong) Limited 北控城市服務(武功)有限公司#	the PRC 16 March 2017	RMB3,642,400	–	100	Environmental hygiene services

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises (Tangshan) Urban Services Limited 北控(唐山)城市服務有限公司#	the PRC 30 March 2017	RMB5,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Hohhot Huimin District) Limited 北控城市服務(呼和浩特市回民區)有限公司#	the PRC 11 April 2017	RMB7,500,000	–	100	Environmental hygiene services
Beijing Enterprises Environmental Investment (Sichuan) Limited 北控環境投資(四川)有限公司@	the PRC 18 May 2017	RMB30,000,000	–	60	Environmental hygiene services
Beijing Enterprises Environmental Investment (Guizhou) Limited 北控環境投資(貴州)有限公司@	the PRC 24 November 2016	RMB6,450,000	–	55	Environmental hygiene services
Beijing Enterprises Urban Services (Puyang) Limited 北控城市服務(濮陽)有限公司@	the PRC 25 July 2017	RMB12,000,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Xuyong) Limited 北控城市服務(敘永)有限公司@	the PRC 9 August 2017	RMB2,600,000	–	60	Environmental hygiene services
Beijing Enterprises Urban Services (Dafang) Limited 北控城市服務(大方)有限公司#	the PRC 24 August 2017	RMB1,890,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Wuchuan) Limited 北控城市服務(務川)有限公司#	the PRC 1 June 2017	RMB18,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Keyouzhongqi) Limited 北控城市服務(科右中旗)有限公司@	the PRC 9 May 2017	RMB6,566,000	–	67	Environmental hygiene services
Guangxi Guigang Beijing Enterprises Water Environmental Sanitation Services Limited 廣西貴港北控水務環衛服務有限公司#	the PRC 13 September 2013	RMB5,000,000	–	100	Environmental hygiene services

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangxi Guigang Beijing Enterprises Water Medical Waste Treatment Limited 廣西貴港北控水務醫療廢物處理有限公司#	the PRC 4 July 2014	RMB5,000,000	–	100	Hazardous waste treatment
Beijing Enterprises Urban City (Beijing) Environmental Technology Limited 北控城市(北京)環境科技有限公司#	the PRC 28 March 2017	RMB376,960,000	–	100	Provision of business management services
Jiangxi Beijing Enterprises Urban Mineral Co., Ltd. 江西北控城市礦產有限公司@	the PRC 21 February 2011	RMB30,000,000	–	59	Provision of waste electrical and electronic equipment treatment services
Shaanxi Beijing Enterprises Recycling Resources Limited 陝西北控再生資源有限公司@	the PRC 18 May 2010	RMB26,540,000	–	65	Provision of waste electrical and electronic equipment treatment services
Shandong Pingfu Environmental Services Limited 山東平福環境服務有限公司@	the PRC 25 January 2008	RMB47,280,000	–	65	Hazardous waste treatment
Beijing Enterprises Urban Services (Cangzhou Nanpi) Limited 北控城市服務(滄州南皮)有限公司#	the PRC 30 October 2017	RMB23,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Qindu) Limited 北控城市服務(秦都)有限公司@	the PRC 31 October 2017	RMB20,000,000	–	75	Environmental hygiene services
Ningjin Beijing Enterprises Urban Services Limited 寧津北控城市服務有限公司@	the PRC 9 August 2017	RMB3,000,000	–	51	Environmental hygiene services
Beijing Enterprises Urban Services Chengde Limited 北控城市服務承德有限公司#	the PRC 10 November 2017	RMB15,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Quannan) Limited 北控城市服務(全南)有限公司#	the PRC 17 November 2017	RMB24,000,000	–	100	Environmental hygiene services

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises Urban Services (Yongshou) Limited 北控城市服務(永壽)有限公司@	the PRC 31 October 2017	RMB6,700,000	–	75	Environmental hygiene services
Beijing Enterprises Urban Services (Cangzhou Su'ning) Limited 北控城市服務(滄州肅寧)有限公司#	the PRC 4 January 2018	RMB8,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Gansu) Limited 北控城市服務(甘肅)有限公司@	the PRC 15 December 2017	RMB8,650,000	–	60	Environmental hygiene services
Beijing Enterprises Haiwo (Yangzhou) Environmental Service Limited 北控海沃(揚州)環境服務有限公司@	the PRC 26 December 2016	RMB10,000,000	–	70	Environmental hygiene services
Weifang Beijing Enterprises Environmental Technic Limited 濰坊北控環境技術有限公司@	the PRC 13 June 2016	RMB77,400,000	–	33*	Hazardous waste treatment
Qinghai Xintiandi Solid Waste Treatment Limited 青海新天地固體廢物綜合處置有限公司@	the PRC 26 August 2016	RMB8,000,000	–	65	Hazardous waste treatment
Geermu Environmental Services Limited 格爾木綠水青山環保服務有限公司@	the PRC 25 October 2016	RMB10,000,000	–	65	Hazardous waste treatment
Guangxi Beijing Enterprises Urban Resources Limited 廣西北控城市資源有限公司@	the PRC 17 September 2012	RMB36,860,000	–	65	Waste electrical and electronic equipment treatment services
Xining Pingfu Environmental Technic Limited 西寧平福環境技術有限公司@	the PRC 2 March 2017	RMB6,000,000	–	39*	Hazardous waste treatment
Chongqing Beijing Enterprises Recycled Resources Limited 重慶北控再生資源有限公司@	the PRC 4 November 2010	RMB64,270,000	–	65	Waste electrical and electronic equipment treatment services
Beijing Enterprises Urban Environmental Resources (Yichang) Limited 北控城市環境資源(宜昌)有限公司@	the PRC 23 August 2017	RMB50,000,000	–	60	Hazardous waste treatment

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xinjiang Beijing Enterprises Environmental Resources Limited 新疆北控環境資源有限公司@	the PRC 24 February 2017	RMB13,182,000	–	80	Hazardous waste treatment
Beijing Enterprises Urban Services (Qingshuihe) Limited 北控城市服務(清水河)有限公司#	the PRC 8 January 2018	RMB5,200,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Nanjing) Limited 北控城市服務(南京)有限公司@	the PRC 26 January 2018	RMB2,780,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Changwu) Limited 北控城市服務(長武)有限公司@	the PRC 23 January 2018	RMB5,000,000	–	80	Environmental hygiene services
Beijing Enterprises Urban Services (Xiuwen) Limited 北控城市服務(修文)有限公司@	the PRC 2 February 2018	RMB10,000,000	–	55	Environmental hygiene services
Beijing Enterprises Urban Services (Wugong) Town Sanitation Services Limited 北控城市服務(武功)城鎮環衛服務有限公司@	the PRC 3 May 2018	RMB5,500,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Heshun) Limited 北控城市服務(和順)有限公司#	the PRC 9 May 2018	RMB7,700,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Weicheng) Limited 北控城市服務(渭城)有限公司@	the PRC 2 May 2018	RMB20,000,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Binzhou) Limited 北控城市服務(彬州)有限公司@	the PRC 3 May 2018	RMB14,000,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Guide) Limited 北控城市服務(貴德)有限公司@	the PRC 10 April 2018	RMB5,000,000	–	66	Environmental hygiene services
Beijing Enterprises Urban Services (Beilin) Limited 北控城市服務(碑林)有限公司#	the PRC 2 May 2018	RMB2,000,000	–	100	Environmental hygiene services

1. CORPORATE INFORMATION *(Continued)*
Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises Urban Services (Baoding Tangxian) Limited 北控城市服務(保定唐縣)有限公司#	the PRC 10 April 2018	RMB7,454,900	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Lankao) Limited 北控城市服務(蘭考)有限公司#	the PRC 28 March 2018	RMB16,603,300	–	100	Environmental hygiene services
Beijing Enterprises (Chuxiong) Environmental Management Limited 北控(楚雄)環境管理有限公司#	the PRC 7 May 2018	RMB4,650,000	–	100	Environmental hygiene services
Chuxiong Beijing Enterprises Environmental Technology Limited 楚雄北控環保科技有限公司#	the PRC 10 May 2018	RMB4,960,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Liquan) Town Sanitation Services Limited 北控城市服務(禮泉)城鎮環衛服務有限公司@	the PRC 3 May 2018	RMB8,500,000	–	60	Environmental hygiene services
Beijing Enterprises Urban Services (Longnan) Limited 北控城市服務(隴南)有限公司@	the PRC 24 May 2018	RMB2,770,000	–	60	Environmental hygiene services
Beijing Enterprises Urban Services (Yanhe) Limited 北控城市服務(沿河)有限公司#	the PRC 11 June 2018	RMB10,000,000	–	55	Environmental hygiene services
Shenyang Beijing Enterprises Huichang Urban Environmental Services Limited 沈陽北控慧昌城市環境服務有限公司@	the PRC 10 July 2018	RMB50,000,000	–	95	Environmental hygiene services
Beijing Enterprises Urban Services (Xintian) Limited 北控城市服務(新田)有限公司@	the PRC 26 July 2018	RMB20,000,000	–	90	Environmental hygiene services
Beijing Enterprises (Tangshan) Municipal Construction Limited 北控(唐山)市政工程有限公司#	the PRC 3 August 2018	RMB5,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Jixian) Limited 北控城市服務(吉縣)有限公司#	the PRC 8 August 2018	RMB5,700,000	–	100	Environmental hygiene services

1. CORPORATE INFORMATION *(Continued)*
Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises Urban Services (Lintao) Limited 北控城市服務(臨洮)有限公司@	the PRC 23 August 2018	RMB12,780,000	–	60	Environmental hygiene services
Wulanchabu Beijing Enterprises Urban Services Limited 烏蘭察布北控城市服務有限公司@	the PRC 4 September 2018	RMB1,000,000	–	51	Environmental hygiene services
Qihexian Beijing Enterprises Urban Services Limited 齊河縣北控環境服務有限公司@	the PRC 19 September 2018	RMB100,000	–	36*	Environmental hygiene services
Guyuanxian Beijing Enterprises Qingdaofu Environmental Services Limited 沽源縣北控清道夫環境服務有限公司#	the PRC 7 November 2018	RMB6,000,000	–	51	Environmental hygiene services
Beijing Enterprises Urban Services (Yongzhou) Limited 北控城市服務(永州)有限公司@	the PRC 13 November 2018	RMB1,085,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Qingxu) Limited 北控城市服務(清徐)有限公司#	the PRC 14 September 2018	RMB17,600,000	–	100	Environmental hygiene services
Yunnan Beijing Enterprises Environmental Service Limited ("Yunnan") 雲南北控環境服務有限公司@	the PRC 25 July 2017	RMB32,800,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Resources Exploitation (Zigong) Limited 北控城市環境資源開發(自貢)有限公司#	the PRC 2 April 2018	RMB30,600,000	–	100	Hazardous waste treatment
Tibet Pingfu Environmental Technology Limited 西藏平福環保科技有限公司#	the PRC 5 June 2018	RMB5,000,000	–	100	Hazardous waste treatment
Ningxia Beijing Enterprises Ruiyuan Recycling Resources Limited ("Ningxia") 寧夏北控睿源再生資源有限公司@	the PRC 27 January 2015	RMB120,000,000	–	61	Hazardous waste treatment

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Hubei Pingfu Environmental Technology Limited 湖北平福環保科技有限公司#	the PRC 3 July 2018	RMB20,000,000	–	100	Hazardous waste treatment
Xinjiang Xiyu Beijing Enterprises Environmental Construction Limited 新疆西域北控環境工程有限公司@	the PRC 8 December 2017	RMB17,500,000	–	66	Hazardous waste treatment
Hami Beijing Enterprises Environmental Services Limited 哈密北控環境服務有限公司#	the PRC 7 September 2018	RMB1,500,000	–	100	Hazardous waste treatment
Beijing Enterprises Urban Services (Baoding Dingxing) Limited 北控城市服務(保定定興)有限公司#	the PRC 10 March 2016	RMB10,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Linzhang) Limited 北控城市服務(臨漳)有限公司#&	the PRC 1 March 2019	RMB9,800,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Yichang) Limited 北控城市服務(宜昌)有限公司#&	the PRC 21 January 2019	RMB20,000,000	–	100	Environmental hygiene services
Jiangsu Beijing Enterprises Jinqiangwei Urban Services Limited 江蘇北控金薔薇城市服務有限公司&@	the PRC 7 January 2019	RMB10,000,000	–	60	Environmental hygiene services
Xianju Beijing Enterprises Urban Environmental Technology Limited 仙居北控城市環境科技有限公司#&	the PRC 15 October 2018	RMB19,876,565	–	100	Hazardous waste treatment
Beijing Enterprises Zhongyan Properties Management Limited 北京北控中燕物業管理有限公司#&	the PRC 6 December 2018	RMB30,000,000	–	100	Environmental hygiene services

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises Urban Services (Shanxi) Limited 北控城市服務(山西)有限公司	the PRC 3 September 2018	RMB5,000,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Xi'an Xincheng) Limited 北控城市服務(西安新城)有限公司&#	the PRC 9 September 2019	RMB1,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Zibo) Limited 淄博北控城市服務有限公司&#	the PRC 9 September 2019	RMB16,000,000	–	100	Environmental hygiene services
Kunming Xishan Beijing Enterprises Environmental Services Limited 昆明西山北控城市環境服務有限公司&@	the PRC 30 July 2019	RMB10,432,800	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Xixian) Limited 北控城市服務(西咸新區)有限公司&@	the PRC 24 July 2019	RMB5,000,000	–	80	Environmental hygiene services
Beijing Enterprises Urban Services (Kaiyang) Limited 北控城市服務(開陽)有限公司&@	the PRC 28 June 2019	RMB10,000,000	–	55	Environmental hygiene services
Beijing Enterprises Zhongyan Logistics Limited 北京北控中燕運輸有限公司&#	the PRC 28 August 2019	RMB6,000,000	–	100	Environmental hygiene services

Notes:

A wholly-foreign-owned enterprise under PRC law

@ A Chinese-Foreign Equity Joint Venture enterprise under PRC law

* These entities are accounted for as subsidiaries by virtue of the Company's control over them through non-wholly-owned subsidiaries.

& Newly set-up in 2019

The English names of the PRC entities represent the best effort made by the management of the Company to directly translate the Chinese names of these entities if they do not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 26 March 2019. As the Reorganisation only involved inserting a new holding entity at the top of an existing group held by Mind Light Holdings Limited ("Mind Light"), an entity incorporated in the British Virgin Islands in 2015, and has not resulted in any change of economic substance, the financial statements for the year has been presented as a continuation of the existing group using merger accounting.

Accordingly, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the years. The consolidated statements of financial position as at 31 December 2019 and 2018 present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates.

2.2 BASIS OF PREPARATION

These financial statements 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs, including HKFRS 16, effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. 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).

When the Company has, directly or indirectly, 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.

2.2 BASIS OF PREPARATION *(Continued)*

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 (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations not under common control and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations not under common control and goodwill *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Service concession arrangements

The Group has entered into a number of service concession arrangements with the grantors.

Under these service concession arrangements:

- the grantors control or regulate the services the Group must provide with the infrastructure, to whom it must provide them, and at what price; and

- the grantors control, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement, or the infrastructure is used for its entire useful life under the arrangements, or both the Group's practical ability to sell or pledge the infrastructure restricted and continuing right of use of the infrastructure is given to the grantors throughout the period of the arrangements. The Group is obligated to hand over the infrastructure to the grantors at the end of the operating concession periods.

Consideration paid to the grantor

An intangible asset (concession right) is recognised to the extent that the Group receives a right to charge users of the public service. The intangible asset (concession right) is stated at cost (i.e., consideration paid to grantors) less accumulated amortisation and any accumulated impairment loss. Amortisation is provided on a straight-line basis over the operation phase of the concession periods.

Construction services

Revenue relating to the construction services is accounted for in accordance with the policy for "Revenue recognition" below.

Operating services

Revenue relating to the provision of environmental hygiene services is accounted for in accordance with the policy for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories, income tax recoverable, other tax recoverable, contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	20 to 40 years
Plant and machinery	5 to 10 years
Leasehold improvements	Over the shorter of the lease terms and 3 to 8 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	3 to 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term as follows:

Buildings	20 to 40 years
Motor vehicles	3 to 8 years
Prepaid land lease premium	34 to 50 years

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of offices and motor vehicles (i.e., those leases that have a lease term of l2 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Discontinued operation

Discontinued operation is a component of an entity that entity that either has been disposed of, or is classified as held for sale if the carrying amount will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the operation must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such operation and its sale must be highly probable.

In addition, it must satisfy any of following criteria:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

The comparative statements of profit or loss have been restated and re-presented as if the operation discontinued during the year had been discontinued during the year had been discontinued at the beginning of the comparative periods presented in the financial statements.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Operating concessions

Operating concessions representing the rights to provide environmental hygiene services. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 15 to 25 years, as appropriate.

Computer software

Computer software is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the estimated useful life of 5 to 10 years, as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due based on historical pattern and credit risk management practices of the Group. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables, loans and borrowings. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to non-controlling shareholders, related companies and shareholders, finance lease payables and interest-bearing bank and other borrowings.

Subsequent measurement - loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial instruments

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within six months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation or amortisation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Provision of environmental hygiene services*

Revenue from the provision of environmental hygiene services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(b) *Provision of hazardous waste treatment services*

Revenue from the provision of hazardous waste treatment services is recognised at the point in time when the services are provided to the customers.

(c) *Sales of refined chemical and other products and sales of dismantled products*

Revenue from sales of refined chemical and other products and sales of dismantled products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

(d) *Construction services*

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from other sources

Environmental decommissioning fee income for waste electrical and electronic treatment is recognised when there is reasonable assurance that the government grant will be received and all attaching conditions will be complied with. The fair value of the consideration is determined by discounting all future receipts using an imputed interest rate due to significant financing component.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other employee benefits

Defined contribution plans

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local governments, the assets of which are held separately from those of the Group. Contributions are made by the subsidiaries based on a percentage of the participating employees' salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes. The employer contributions vest fully once made.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or contract liabilities, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of the subsidiaries in Mainland China is currency other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of this entity are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and its statement of profit or loss is translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the subsidiary is translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the subsidiary which arise throughout the year is translated into Hong Kong dollars at the weighted average exchange rate for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification of discontinued operations

Operations that are classified as held for sale or have been disposed of, are presented as discontinued operations in the consolidated statements of profit or loss when the operations represent a major separate line of business or geographical area of operations, are part of a single coordinated disposal plan or represent a subsidiary acquired exclusively with a view to resale. The assessment on what is a major separate line of business or a major geographical area of operations is done on a case by case basis and depends on the size of the operations as compared to the total operations of the Group.

Management also exercises judgement to determine whether an operation is classified as held for sale, which depends on whether the sale of the operation is highly probable. For the sale to be highly probable, the management must have committed to a plan to sell the operation and have an active programme to locate a buyer and the plan must have been initiated. Further, the operation must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were HK$279,586,000 (2018: HK$392,878,000) at 31 December 2019. Further details are set out in note 16 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Impairment of property, plant and equipment

The carrying amounts of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount is the higher of its fair value less costs of disposal and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position. The carrying amounts of property, plant and equipment in the consolidated statements of financial positions as at 31 December 2019 was HK$1,748,584,000 (2018: HK$1,526,868,000), details of which are set out in note 14 to the financial statements.

Provision for expected credit losses on contract assets, trade receivables, environmental decommissioning fees receivable and other receivables

The policy for provision for expected credit losses on contract assets, trade receivables, environmental decommissioning fees receivable and other receivables of the Group is based on an ECL model. A considerable amount of estimation is required in assessing the available information which includes information about past events, current conditions and forecasts future economic conditions to estimate the ECL. The carrying amounts of contract assets, trade receivables, environmental decommissioning fees receivable and other receivables other than prepayments carried as assets in the consolidated statements of financial position as at 31 December 2019 was set out in notes 21, 23, 24 and 25 to the financial statements.

4. 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 from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income and finance costs as well as head office and corporate expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Environmental hygiene services		Hazardous waste treatment		Others		Total	
	2019 HK$'000	2018 HK$'000 (Restated)	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000 (Restated)
Segment revenue (note 5):								
Sales to external customers	**1,968,023**	1,264,211	**540,498**	422,209	**202,707**	176,198	**2,711,228**	1,862,618
Segment results	**288,553**	95,389	**196,962**	214,260	**38,718**	35,110	**524,233**	344,759
Reconciliation:								
Interest income							**8,338**	7,482
Other corporate gains							**51,578**	47,597
Finance costs							**(72,343)**	(43,939)
Corporate and other unallocated expenses							**(78,446)**	(93,031)
Profit before tax from continuing operations							**433,360**	262,868
Other segment information:								
Share of profit/(loss) of a joint venture	**27**	(1,184)	**–**	–	**–**	–	**27**	(1,184)
Impairment losses/(reversal of impairment losses) recognised in the statement of profit or loss, net	**(354)**	232	**1,235**	1,302	**(139)**	–	**742**	1,534
Depreciation and amortisation	**157,595**	88,353	**47,949**	29,915	**10,212**	6,655	**215,756**	124,923
Investment in an associate	**–**	571	**–**	–	**–**	–	**–**	571
Investment in a joint venture	**–**	–	**32,144**	33,618	**–**	–	**32,144**	33,618
Capital expenditure*	**421,173**	393,436	**531,188**	606,736	**26,762**	71,477	**979,123**	1,071,649

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

Geographical information

(a) All of the Group's revenue from continuing operations 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 from continuing operations were derived from the Group's operations in the PRC during the year.

Information about major customers

During the year ended 31 December 2019 and 2018, no revenue from transactions with a single external customer contributed over 10% to the total revenue of the Group.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Revenue from contract customers			
Environmental hygiene services			
– Environmental hygiene services	(a)	**1,968,023**	1,260,853
– Construction services	(a)	**–**	3,358
Hazardous waste treatment businesses			
– Hazardous waste treatment services	(a)	**285,739**	251,274
– Sale of refined chemical and other products	(a)	**254,759**	170,935
Sale of dismantled products	(a)	**101,296**	88,655
		2,609,817	1,775,075
Revenue from other source			
Environmental decommissioning fees income		**101,411**	87,543
		2,711,228	1,862,618
Other income and gains, net			
Interest income		**8,338**	7,482
Foreign exchange differences, net		**70**	2,039
Government grants	(b)	**8,572**	5,148
VAT refunds	(c)	**25,879**	19,551
Consultancy services provided	(a)	**7,067**	11,135
Gain on bargain purchase of subsidiaries	39	**–**	4,726
Gain on disposal of subsidiaries	40	**2,841**	206
Gain on disposal of an associate		**–**	526
Others		**7,149**	4,266
		59,916	55,079

Notes:

(a) Disaggregated revenue information

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

The following table shows the amounts of revenue recognised in the year that were included in the contract liabilities at the beginning of the reporting period:

	2019 HK$'000	2018 HK$'000 (Restated)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Hazardous waste treatment businesses		
– Hazardous waste treatment services	**21,255**	9,615
Sale of dismantled products	**477**	286
	21,732	9,901

(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.

5. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

Notes: *(Continued)*

(d) The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of environmental hygiene services as at 31 December are as follows:

	2019 HK$'000	2018 HK$'000 (Restated)
Within one year	1,814,211	1,676,046
After one year	13,023,145	13,329,799
	14,837,356	15,005,845

The remaining performance obligations expected to be recognised in more than one year are to be satisfied from 2 to 25 years. The amounts disclosed above do not include variable consideration which is constrained.

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Cost of inventories sold		320,053	232,655
Cost of services provided		1,596,758	1,075,468
Depreciation of property, plant and equipment		175,497	104,970
Depreciation of right-of-use assets		28,888	14,177
Amortisation of intangible assets		399	142
Amortisation of operating concessions*	17	10,972	5,312
Impairment losses of trade receivables, net	23	742	1,534
Lease payments under short term leases		18,019	16,295
Loss/(gain) on disposal of items of property, plant and equipment		(3,249)	189
Auditor's remuneration		3,600	5,428
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Salaries and benefits in kind		884,147	725,454
Pension scheme contributions		137,037	119,564
		1,021,184	845,018

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

7. FINANCE COSTS

	2019 HK$'000	2018 HK$'000 (Restated)
Interest on bank borrowings	**59,519**	40,180
Interest on other loans	**8,369**	2,391
Interest on lease liabilities (note 29)	**7,138**	3,391
Total interest on bank and other borrowings	**75,026**	45,962
Increase in discounted amounts of provision for major overhaul arising from the passage of time (note 34)	**236**	235
Total finance costs	**75,262**	46,197
Less: Interest capitalised	**(2,919)**	(2,258)
	72,343	43,939

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 HK$'000
Fees	**148**
Other emoluments:	
Salaries, allowances and benefits in kind	**2,127**
Performance-related bonuses	**–**
Pension scheme contributions	**104**
	2,379

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Executive directors, non-executive directors and independent non-executive directors:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2019					
Executive directors:					
Mr. Zhao Kexi	–	1,158	–	52	1,210
Mr. Zhang Hailin	–	729	–	52	781
Mr. Huang Zhiwan	–	240	–	–	240
Non-Executive directors:					
Mr. Zhou Min	45	–	–	–	45
Mr. Li Haifeng	45	–	–	–	45
Mr. Li Li	45	–	–	–	45
	135	–	–	–	135
Independent non-executive directors:					
Mr. Orr Ka Yeung, Kevin	4	–	–	–	4
Mr. Wu Tak Kong	5	–	–	–	5
Dr. Du Huanzheng	4	–	–	–	4
	13	–	–	–	13
	148	2,127	–	104	2,379

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors during the year ended 31 December 2018.

趙克喜 (Zhao Kexi), 張海林 (Zhang Hailin) and 黃志萬 (Huang Zhiwan) were appointed as executive directors of the Company on 26 March 2019. 周敏 (Zhou Min), 李力 (Li Li) and 李海楓 (Li Haifeng) were appointed as non-executive directors of the Company on 26 March 2019. 趙克喜 (Zhao Kexi) was appointed as the chief executive of the Company on 26 March 2019.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of these directors of the Company's subsidiaries for the years ended 31 December 2018 of HK$4,558,000 were borne by BEWG.

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil). There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2018: nil). The highest paid employees who were directors of the Company for the years ended 31 December 2019 and 2018 include HK$1,991,000 and nil, respectively. Details of the remuneration for the year of the remaining three (2018: five) highest paid employees who are neither a director nor chief executive officer of the Company for the year ended 31 December 2019 and 2018, are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**1,820**	4,491
Performance related bonuses	**1,409**	1,401
Pension scheme contributions	**108**	686
	3,337	6,578

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**2**	4
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	3	5

During the year, no emoluments were paid or payable by the Group to any of the non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the year (2018: 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 year 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.

	2019 HK$'000	2018 HK$'000 (Restated)
Current – Mainland China charge for the year	**85,598**	38,948
Under-provision in prior years	**–**	4,670
Deferred (note 33)	**1,894**	(383)
Total tax charge for the year from continuing operations	**87,492**	43,235
Total tax charge for the year from discontinued operations	**–**	–
	87,492	43,235

10. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Year ended 31 December 2019

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax from continuing operations	(54,222)		487,582		433,360	
Profit before tax from discontinued operations	–		6,146		6,146	
	(54,222)		493,728		439,506	
Tax at the statutory tax rate	(8,947)	16.5	123,432	25.0	114,485	26.0
Lower tax rates of specific provinces or enacted by local authorities	–	–	(53,837)	(10.9)	(53,837)	(12.2)
Income not subject to tax	(1,407)	2.6	(20,350)	(4.1)	(21,757)	(5.0)
Expenses not deductible for tax	2,276	(4.2)	14,528	2.9	16,804	3.8
Tax losses not recognised	8,078	(14.9)	23,719	4.8	31,797	7.2
Tax charge at the effective rate	–	–	87,492	17.7	87,492	19.9
Tax charge from continuing operations at the effective rate	–	–	87,492	17.9	87,492	20.2

Year ended 31 December 2018

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000 (Restated)	%	HK$'000 (Restated)	%
Profit/(loss) before tax from continuing operations	(30,519)		293,387		262,868	
Profit before tax from a discontinued operation	–		252,308		252,308	
	(30,519)		545,695		515,176	
Tax at the statutory tax rate	(5,036)	16.5	136,424	25.0	131,388	25.5
Lower tax rates of specific provinces or enacted by local authorities	–	–	(57,862)	(10.6)	(57,862)	(11.2)
Adjustment in respect of current tax of previous periods	–	–	4,670	0.9	4,670	0.9
Income not subject to tax	(6,595)	21.6	(61,658)	(11.3)	(68,253)	(13.2)
Expenses not deductible for tax	7,000	(22.9)	7,175	1.3	14,175	2.8
Tax losses not recognised	4,631	(15.2)	14,486	2.7	19,117	3.7
Tax charge at the effective rate	–	–	43,235	7.9	43,235	8.4
Tax charge from continuing operations at the effective rate	–	–	43,235	14.7	43,235	16.4

There was no share of tax attributable to an associate and a joint venture during the year.

11. DISCONTINUED OPERATIONS

(a) Pursuant to an equity interest transfer agreement entered into between the Group, Binnan Group and the non-controlling shareholders of Binnan Group, on 30 August 2019, the Group agreed to sell its 51% equity interest in Binnan Group to the non-controlling shareholder for a cash consideration of approximately RMB75.3 million. The disposal was completed on 21 October 2019. Accordingly, the consolidated statements of profit or loss and the consolidated statements of cash flow have been presented consistently for the discontinued operation throughout the year to conform with the presentation for the year ended 31 December 2019.

The results of Binnan Group for the year ended 31 December 2019 prior to the disposal and the year ended 31 December 2018 are presented below:

	2019 **HK$'000**	2018 HK$'000
Revenue	**228,355**	349,214
Cost of sales	**(207,658)**	(280,440)
Other income and gain	**871**	1,690
Administrative expenses	**(24,434)**	(69,313)
Other expenses	**(569)**	(658)
Finance costs	**(7,868)**	(6,228)
Loss for the year	**(11,303)**	(5,735)
Gain on disposal of the discontinued operation	**17,449**	–
Profit/(loss) for the year from a discontinued operation	**6,146**	(5,735)

Loss for the year from a discontinued operation includes the following:

	2019 **HK$'000**	2018 HK$'000
Interest income	**56**	212
Depreciation of property, plant and equipment	**(14,913)**	(19,942)
Depreciation of right-of-use assets	**(5,918)**	(7,368)

The net cash flows incurred by Binnan Group for the year are as follows:

	2019 **HK$'000**	2018 HK$'000
Operating activities	**(14,094)**	30,090
Investing activities	**6,609**	(58,094)
Financing activities	**(23,621)**	13,192
Net cash outflow	**(31,106)**	(14,812)

11. DISCONTINUED OPERATIONS *(Continued)*

(b) Pursuant to an equity interest transfer agreement entered into between the Group and Beijing Enterprises Zhongkecheng Environmental Protection Limited ("Beijing ZhongKeCheng"), an indirect wholly-owned subsidiary of BEWG, on 30 June 2018, the Group agreed to sell its 62% equity interest in Gansu Huayi Environmental Technical Services Limited ("Gansu Huayi") to Beijing ZhongKeCheng for a cash consideration of RMB234 million (equivalent to approximately HK$269,874,000). The disposal was completed on 30 June 2018. Accordingly, the consolidated statements of profit or loss and the consolidated statements of cash flow have been presented consistently for the discontinued operation throughout the year to conform with the presentation for the year ended 31 December 2018.

The results of Gansu Huayi for the year ended 31 December 2018 prior to the disposal are presented below:

	2018 HK$'000
Revenue	12,902
Cost of sales	(49,878)
Other income and gain	106
Selling and distribution expenses	(1,031)
Administrative expenses	(11,428)
Other expenses	(391)
Finance costs	(7,951)
Loss for the year	(57,671)
Gain on disposal of the discontinued operation	315,714
Profit for the year from a discontinued operation	258,043

Loss for the year from a discontinued operation includes the following:

	2018 HK$'000
Interest income	50
Depreciation of property, plant and equipment	(3,626)
Amortisation of intangible assets	(525)
Write-down of inventories to net realisable value	(30,971)

The net cash flows incurred by Gansu Huayi for the year are as follows:

	2018 HK$'000
Operating activities	(1,981)
Investing activities	(3,121)
Financing activities	(18,065)
Net cash outflow	(23,167)

12. DIVIDENDS

The directors do not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

13. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to shareholders of the Company and the profit from continuing operations attributable to shareholders of the Company, and the weighted average number of ordinary shares of 2,700,000,000 (2018: 2,700,000,000) in issue during the year, on the assumption that the issue of new shares (note 35) of the Company had been completed on 1 January 2018.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

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

	2019 **HK$'000**	2018 HK$'000
Earnings		
(i) For profit for the year:		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	**281,328**	430,383
(ii) For profit for the year from continuing operations:		
Profit for the year from continuing operations attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	**269,643**	153,350
Number of ordinary shares		
Weighted average number of ordinary shares, used in the basic and diluted earnings per share calculations	**2,700,000,000**	2,700,000,000

14. PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings HK$'000 (Note)	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2019								
At 31 December 2018 and 1 January 2019:								
Cost		350,879	387,413	45,247	15,512	582,319	351,738	1,733,108
Accumulated depreciation		(21,304)	(79,217)	(8,398)	(2,623)	(94,698)	–	(206,240)
Net carrying amount		329,575	308,196	36,849	12,889	487,621	351,738	1,526,868
At 1 January 2019, net of accumulated depreciation		329,575	308,196	36,849	12,889	487,621	351,738	1,526,868
Disposal of subsidiaries	40	(121,256)	(74,119)	(10,915)	(3,360)	(29,763)	(55)	(239,468)
Transfers		283,527	246,680	–	–	–	(530,207)	–
Additions		18,686	94,101	7,347	11,065	198,423	455,646	785,268
Disposals		(36,658)	(43,564)	(6,561)	171	(2,656)	(11,782)	(101,050)
Depreciation provided during the year		(19,555)	(53,294)	(7,281)	(2,633)	(107,647)	–	(190,410)
Exchange realignment		(5,893)	(6,529)	(613)	(562)	(8,917)	(10,110)	(32,624)
At 31 December 2019, net of accumulated depreciation		448,426	471,471	18,826	17,570	537,061	255,230	1,748,584
At 31 December 2019:								
Cost		483,731	556,682	32,404	22,831	718,191	255,230	2,069,069
Accumulated depreciation		(35,305)	(85,211)	(13,578)	(5,261)	(181,130)	–	(320,485)
Net carrying amount		448,426	471,471	18,826	17,570	537,061	255,230	1,748,584

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Note	Buildings HK$'000 (Note)	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2018								
At 1 January 2018:								
Cost		277,823	240,921	22,702	22,254	318,651	237,041	1,119,392
Accumulated depreciation		(14,923)	(47,911)	(2,634)	(3,959)	(41,839)	–	(111,266)
Net carrying amount		262,900	193,010	20,068	18,295	276,812	237,041	1,008,126
At 1 January 2018, net of accumulated depreciation		262,900	193,010	20,068	18,295	276,812	237,041	1,008,126
Acquisition of subsidiaries	39	134,284	117,799	1,194	587	51,074	7,848	312,786
Disposal of subsidiaries	40	(74,786)	(27,838)	–	(9,071)	(1,663)	(61,316)	(174,674)
Transfers		12,102	5,153	–	–	–	(17,255)	–
Additions		19,328	95,018	25,188	5,414	270,829	201,276	617,053
Disposals		(109)	(2,322)	(1,961)	(12)	(32,407)	–	(36,811)
Depreciation provided during the year		(12,357)	(50,137)	(6,104)	(1,679)	(58,260)	–	(128,537)
Exchange realignment		(11,787)	(22,487)	(1,536)	(645)	(18,764)	(15,856)	(71,075)
At 31 December 2018, net of accumulated depreciation		329,575	308,196	36,849	12,889	487,621	351,738	1,526,868
At 31 December 2018:								
Cost		350,879	387,413	45,247	15,512	582,319	351,738	1,733,108
Accumulated depreciation		(21,304)	(79,217)	(8,398)	(2,623)	(94,698)	–	(206,240)
Net carrying amount		329,575	308,196	36,849	12,889	487,621	351,738	1,526,868

Note: Certain of the Group's buildings with a net carrying amount of HK$81,211,000 (2018: HK$56,367,000) were pledged to secure general banking facilities and other loans granted to the Group as at 31 December 2019 (note 31(a)(iii)).

15. RIGHT-OF-USE ASSETS AND OTHER LEASE INFORMATION

		Right-of-use assets			
	Notes	Buildings HK$'000	Motor vehicles HK$'000	Prepaid land lease premium HK$'000	Total HK$'000
As at 1 January 2018		26,309	33,145	179,348	238,802
Additions		50,969	16,682	48,007	115,658
Acquisition of subsidiaries	39	1,829	–	22,986	24,815
Depreciation charge		(9,261)	(8,823)	(3,784)	(21,868)
Disposal of subsidiaries	40	–	–	(30,783)	(30,783)
Exchange realignment		(2,704)	(1,805)	(9,018)	(13,527)
As at 31 December 2018 and 1 January 2019		**67,142**	**39,199**	**206,756**	**313,097**
Additions		**62,875**	**18,953**	**43,915**	**125,743**
Depreciation charge		**(16,062)**	**(13,687)**	**(5,057)**	**(34,806)**
Disposal		**–**	**–**	**(1,386)**	**(1,386)**
Disposal of subsidiaries	40	**(37,516)**	**(5,364)**	**(19,297)**	**(62,177)**
Exchange realignment		**(2,125)**	**(747)**	**(3,080)**	**(5,952)**
As at 31 December 2019		**74,314**	**38,354**	**221,851**	**334,519**

Notes:

(a) Certain of the Group's prepaid land lease payments with a net carrying amount of HK$10,663,000 (2018: HK$5,111,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2019 (note 31(a)(iii)).

(b) Details of the carrying amount of lease liabilities (included under "other payables and accruals") and the movement during the year are set out in note 29 to the financial statements.

(c) The amounts of depreciation of right-of-use assets, lease payments under short term leases and interest expense on lease liabilities recognised are disclosed in notes 6, 7 and 11 to the financial statements.

(d) Total cash outflow for the leases amounted to HK$94,127,000 (2018: HK$85,525,000(restated)) for the year ended 31 December 2019.

16. GOODWILL

	Notes	2019 HK$'000	2018 HK$'000
Cost and carrying amount at 1 January		**392,878**	200,720
Acquisition of subsidiaries	39	**–**	212,981
Disposal of subsidiaries	40	**(108,198)**	–
Exchange realignment		**(5,094)**	(20,823)
Cost and carrying amount at 31 December		**279,586**	392,878

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units ("CGUs") for impairment testing:

	2019 HK$'000	2018 HK$'000
Environmental hygiene CGUs	**12,526**	66,312
Hazardous waste treatment CGUs	**267,060**	326,566
	279,586	392,878

The recoverable amounts of the relevant business units in each of the above operating segments have been determined based on value in use calculation using cash flow projections which are based on financial forecast approved by senior management covering a period of 5 years and based on the assumption that the sizes of the operations remain constant.

Assumptions were used in the value-in-use calculation of the relevant business units in the environmental hygiene segment and hazardous waste treatment segment for 31 December 2019 and 2018. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted turnover – It is based on the projected hazardous waste treatment volume and the latest hazardous waste treatment and service fee received up to the date of the forecast.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increase for expected efficiency improvements, and expected market development.

Business environment – There have been no major changes in the existing political, legal and economic conditions in Mainland China in which the assessed entity carried on its business.

Discount rates – The pre-tax discount rates applied to the cash flow projections were ranged from 17.3% to 21.5% for 2018 and 14.4% to 15.8% for 2019 for the business units of the environmental hygiene segment and hazardous waste treatment segment, which was determined by reference to the average rates for similar industries and the business risks of the relevant business units.

Growth rate – The growth rate used to extrapolate the cash flows beyond the five-year period was 3% for 2019 and 2018.

Based on the results of the impairment testing of goodwill, in the opinion of management of the Group, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2019 and 2018.

17. OPERATING CONCESSIONS

The Group has entered into three operating concession arrangements with certain governmental authorities in Mainland China on a Transfer-Operate-Transfer ("TOT") basis in respect of its environmental hygiene services under HK(IFRIC)-Int 12 Service Concession Arrangements. These operating concession arrangements generally involve the Group as a provider of environmental hygiene services on behalf of the relevant governmental authorities for a period of 15 to 25 years (the "Operating Concession Periods"), and the Group would be paid for its services over the years of the operating concession arrangements at prices stipulated through a pricing mechanism. The Group is generally entitled to use the fixed assets provided by the governmental authorities, however, the relevant governmental authorities as grantors will control and regulate the scope of services that the Group must provide with the fixed assets. The Group is obliged to hand over the fixed assets to the grantors at the end of the operating concession periods. Each of these operating concession arrangements is governed by a contract.

A summary of the major terms of the operating concession arrangements is set out as follows:

Name of company as operator	Name of project	Location	Name of grantor	Type of operating concession arrangement	Operating concession period
Beijing Enterprises (Cangzhou Hejian) Environmental Service Limited 北控(滄州河間)環境服務有限公司@	Environmental Sanitation Marketisation Outsourcing PPP Project	Hejian City, Hebei Province	Hejian City Urban Administrative Bureau	TOT on environmental hygiene services	25 years from 2016 to 2041
Beijing Enterprises (Qinhuangdao) Environmental Service Limited 北控(秦皇島)環境服務有限公司@	Urban-Rural Integration Garbage Collection and Transportation Facilities Construction PPP Project	Qinhuangdao, Funing District, Hebei Province	Funing District Urban Administrative Integrated Law Enforcement Bureau	TOT on environmental hygiene services	25 years from 2016 to 2041
Beijing Enterprises Urban Services (Quannan) Limited 北控城市服務(全南)有限公司@	Quannan Urban-Rural Service Urban Integration PPP Project	Quannan City, Jiangxi Province	Quannan City Urban Administrative Bureau	TOT on environmental hygiene service	15 years from 2019 to 2034

@ The English names represent the best efforts made by the management of the Group to translate the Chinese names of these subsidiaries as they do not have official English names.

17. OPERATING CONCESSIONS *(Continued)*

The considerations paid by the Group for operating concession arrangements are accounted for as intangible assets (operating concessions). The following is the summarised information of the intangible assets (operating concessions) with respect to the Group's operating concession arrangements:

	2019 HK$'000	2018 HK$'000
At 1 January:		
Cost	**69,058**	72,386
Accumulated amortisation	**(8,536)**	(3,579)
Net carrying amount	**60,522**	68,807
Net carrying amount:		
At 1 January	**60,522**	68,807
Addition	**66,010**	–
Amortisation provided during the year	**(10,972)**	(5,312)
Exchange realignment	**(1,554)**	(2,973)
At 31 December	**114,006**	60,522
At 31 December:		
Cost	**133,259**	69,058
Accumulated amortisation	**(19,253)**	(8,536)
Net carrying amount	**114,006**	60,522

Note: One of the Group's operating concession rights with a net carrying amount of approximately HK$39,401,000 (2018: HK$41,848,000) was pledged to secure general banking facilities granted to the Group (note 31(a)(iii)) as at 31 December 2019.

18. OTHER INTANGIBLE ASSETS

	Notes	Computer software 2019 HK$'000	Computer software 2018 HK$'000
At the beginning of year			
Cost		**1,508**	1,458
Accumulated amortisation		**(189)**	(185)
Net carrying amount		**1,319**	1,273
Net carrying amount at 1 January		**1,319**	1,273
Acquisition of subsidiaries	39	**–**	221
Disposal of subsidiaries	40	**(509)**	(571)
Additions		**2,102**	1,116
Amortisation provided during the year		**(399)**	(667)
Exchange realignment		**(23)**	(53)
At 31 December		**2,490**	1,319
At 31 December:			
Cost		**3,048**	1,508
Accumulated amortisation		**(558)**	(189)
Net carrying amount		**2,490**	1,319

19. INVESTMENT IN AN ASSOCIATE

	2019 HK$'000	2018 HK$'000
Share of net assets	–	571

20. INVESTMENT IN A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Share of net assets	32,144	33,618

Particulars of the joint venture as at the end of the reporting period are as follows:

Name	Place of registration and business	Registered capital	Percentage of ownership interest attributable to the Company		Principal activity
			2019	2018	
Sichuan Jiuzhou Environmental Technology Co., Ltd.	The PRC/ Mainland China	RMB37,000,000	39%	39%	Chemical refining business and sales of chemical

The following table illustrates the aggregate financial information of the Group's joint venture that is not individually material:

	2019 HK$'000	2018 HK$'000
Share of the joint venture's profit/(loss) for the year	27	(1,184)
Share of the joint venture's other comprehensive income	1,501	1,250
Aggregate carrying amount of the Group's investment in the joint venture	32,144	33,618

21. CONTRACT ASSETS

	2019 HK$'000	2018 HK$'000
Contract assets arising from construction services	45,901	73,946
Portion classified as current assets	(3,513)	(5,684)
Non-current portion	42,388	68,262

An impairment analysis is performed at 31 December 2019 and 2018 using the provision matrix approach to measure life-time expected credit losses. The provision rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2019, the expected credit loss rates were estimated to be 1.26% (2018: ranging from 0.26% to 0.27%). The loss allowance for impairment of the contract assets during the year was not significant to the Group.

22. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**42,298**	66,483
Finished goods	**2,435**	20,499
	44,733	86,982

23. TRADE AND BILLS RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**802,140**	651,938
Less: impairment	**(2,541)**	(1,836)
	799,599	650,102
Bills receivable	**396**	6,779
	799,995	656,881
Portion classified as current assets	**(775,332)**	(656,881)
Non-current portion	**24,663**	–

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

Notes:

(a) 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:

	2019 HK$'000	2018 HK$'000
Within 1 month	**343,293**	268,089
1 to 2 months	**117,803**	128,172
2 to 3 months	**65,349**	79,822
Over 3 months	**248,491**	174,019
	774,936	650,102
Unbilled	**24,663**	–
	799,599	650,102

23. TRADE AND BILLS RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) The movements in the loss allowance for impairment of trade receivables during the years are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	1,836	373
Impairment/(reversal of impairment) losses, net (note 6)	742	1,534
Exchange realignment	(37)	(71)
At 31 December	2,541	1,836

An impairment analysis is performed at each reporting date using a provision matrix approach to measure expected credit losses. The provision rates are estimated based on comparable companies with similar loss patterns (i.e., by geographical region, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information.

Set out below is the information about the credit risk exposure of the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.03%	0.09%	0.26%	0.65%	0.32%
Gross carrying amount (HK$'000)	61,928	282,806	183,152	274,254	802,140
Expected credit losses (HK$'000)	16	265	480	1,780	2,541

As at 31 December 2018

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.03%	0.04%	0.07%	1.27%	0.28%
Gross carrying amount (HK$'000)	299,446	114,459	110,367	127,666	651,938
Expected credit losses (HK$'000)	90	46	77	1,623	1,836

24. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	2019 HK$'000	2018 HK$'000
Environmental decommissioning fees receivable	219,460	136,551

The balance represented government subsidies receivable from the Central Government of the People's Republic of China 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.

24. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE *(Continued)*

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2019, the probability of default applied was 0.08% (2018: 0.46% to 0.48%), and the loss given default was estimated to be 64.90% (2018: 55.83%). The loss allowance for impairment of the receivables during the year was not significant to the Group.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Prepaid expenses	**38,326**	42,498
Guarantee deposits held by customers	**64,957**	94,531
Prepayments for acquisition of property, plant and equipment	**41,821**	55,184
Prepayments for acquisition of land use rights	**27,639**	53,550
Prepayment for purchase of inventories	**1,259**	16,226
Others	**25,983**	51,141
	199,985	313,130
Portion classified as current assets	**(84,606)**	(161,038)
Non-current portion	**115,379**	152,092

Notes:

The Group does not hold any collateral or other credit enhancements over these balances.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2019, the probability of default applied ranged from 0.08% to 0.81% (2018: 2.07%), and the loss given default was estimated to be ranged from 55.79% to 64.87% (2018: 55.83%). The loss allowance for impairment of the deposits and other receivables during the year was not significant to the Group.

26. BALANCES WITH RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS

Particulars of the amounts due from related companies are as follows:

	2019 HK$'000	2018 HK$'000
Due from related companies		
Beijing Enterprises Shuyang Municipal Construction Limited 北控市政工程沭陽有限公司 (note (a))	–	8,578
Kunming Wuhua Beijing Enterprises Environmental Industry Development Co., Ltd. 昆明五華北控環境產業發展有限公司	–	81,435
Gansu Huayi Environmental Technical Services Limited 甘肅華壹環保技術服務有限公司 (note (b))	–	113,647
Beijing Enterprises Zhongkecheng Environmental Protection Limited 北控中科成環保集團有限公司 (note (c))	–	267,484
Guangxi Guigang Beijing Enterprises Water Environmental Protection Limited 廣西貴港北控水務環保有限公司	3,233	–
Others	–	861
	3,233	472,005

Particulars of the amounts due to related companies and amounts due from non-controlling shareholders are as follows:

	2019 HK$'000	2018 HK$'000
Due from non-controlling shareholders		
Qingdao Xin Tian Di Solid Waste Treatment Limited 青島新天地固體廢物綜合處置有限公司	10,881	11,052
Qingdao Xintiandi Investment Co., Ltd. 青島新天地投資有限公司	–	80
Chengdu Bo Ning Sanitation Limited 成都柏檸環境衛生服务有限公司	11,798	11,984
Others	–	9
	22,679	23,125
Due to related companies		
Beijing Enterprises Water (PRC) Investment Limited 北控水務(中國)投資有限公司	–	21,632
Beijing Hua Cheng Xin Chuang Environmental Technology Limited 北京華城新創環境科技有限公司	–	6,473
Beijing Enterprises Shu Yang Municipal Construction Limited 北控市政工程沭陽有限公司	–	3,150
Hunan BE Well-Point Environmental Science & Technology Limited 湖南北控威保特環境科技股份有限公司	1,876	–
Others	–	1,448
	1,876	32,703

26. BALANCES WITH RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS

(Continued)

Particulars of the amounts due to non-controlling shareholders are as follows:

	2019 HK$'000	2018 HK$'000
Due to non-controlling shareholders		
Qingdao Xin Tian Di Environmental Protection Limited 青島新天地環境保護有限責任公司	–	576
Shou Guang Fu Kang Pharmaceuticals Limited 壽光富康製藥有限公司	–	1,922
	–	2,498

Notes:

The related companies of the Group as disclosed above are all subsidiaries held by BEWG, a shareholder of the Company.

Balances with related companies and non-controlling shareholders are unsecured, interest-free and repayable on demand, except for the following balances:

(a) The balance as at 31 December 2018 included the principal amounts of the loans due from 北控市政工程沭陽有限公司 amounting to HK$4.8 million in total that fell due in 2018 and 2019. The loans bore interest at 8% to 10% per annum and were settled in 2019.

(b) The balance as at 31 December 2018 included the principal amounts of the loans due from 甘肅華壹環保技術服務有限公司 amounting to HK$110 million that fell due in 2019. The loans bore interest at 8% to 10% per annum and were settled in 2019.

(c) The amount due from 北控中科成環保集團有限公司 as at 31 December 2018 represented the consideration receivable in respect of the disposal of the entire equity interest in Gansu Huayi during the year ended 31 December 2018, details of which are set out in notes 11 and 40 to the financial statements. The amount was settled in January 2019.

27. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash and bank balances:		
Placed in banks (note (a))	**990,087**	638,407
Time deposits:		
Placed in banks (note (a))	**76,405**	102,717
Total cash and bank balances	**1,066,492**	741,124
Less: Pledged deposits (note (b))	**(14,596)**	(6,810)
Cash and cash equivalents	**1,051,896**	734,314

Notes:

(a) At 31 December 2019, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$1,046,190,000 (2018: HK$538,774,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks in Hong Kong and major state-owned banks in Mainland China with no recent history of default.

(b) Pledged deposits were made to banks for the bill facilities granted.

28. TRADE AND BILLS PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**126,821**	115,118
Bills payable	**33,708**	6,810
	160,529	121,928

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

	2019 HK$'000	2018 HK$'000
Within 1 month	**89,516**	61,005
1 to 2 months	**3,899**	13,304
2 to 3 months	**3,738**	6,566
Over 3 months	**29,668**	34,243
	126,821	115,118

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

29. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Accruals	**188,083**	193,340
Contract liabilities	**64,479**	49,688
Lease liabilities (note)	**113,968**	111,335
Payable for acquisition of property, plant and equipment	**371,902**	386,802
Other payables	**203,757**	282,609
	942,189	1,023,774
Portion classified as current liabilities	**(825,663)**	(938,088)
Non-current portion	**116,526**	85,686

Note:

The following is the summarised information of the lease liabilities:

	Notes	2019 HK$'000	2018 HK$'000
As at 1 January		**111,335**	59,982
Additions		**81,852**	67,651
Acquisition of subsidiaries		**–**	2,049
Payments		**(32,193)**	(21,223)
Disposal of subsidiaries	40	**(47,896)**	–
Interest expense	7	**7,138**	3,391
Exchange realignment		**(6,268)**	(515)
As at 31 December		**113,968**	111,335
Analysed into:			
Current portion		**24,440**	36,247
Non-current portion		**89,528**	75,088

30. OTHER TAXES RECOVERABLE/PAYABLE

	2019 HK$'000	2018 HK$'000
Other tax recoverable:		
Value-added tax	**66,693**	68,162
Other taxes payable:		
Value-added tax	**18,447**	25,141
Land use tax	**394**	134
Others	**3,782**	1,064
	22,623	26,339

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured bank loans	**741,962**	402,734
Unsecured bank loans	**587,452**	902,277
Secured other loan	**54,517**	–
Unsecured other loans	**5,850**	50,136
Total bank and other borrowings	**1,389,781**	1,355,147
Portion classified as current liabilities	**(563,950)**	(306,244)
Non-current portion	**825,831**	1,048,903
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**534,331**	269,453
In the second year	**267,384**	458,873
In the third to fifth years, inclusive	**357,655**	421,471
Beyond five years	**170,044**	155,214
	1,329,414	1,305,011
Analysed into:		
Other loans repayable:		
Within one year or on demand	**29,619**	36,791
In the second year	**30,748**	–
In the third to fifth years, inclusive	**–**	12,326
Beyond five years	**–**	1,019
	60,367	50,136

31. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) Certain of the Group's bank borrowings are secured or guaranteed by:

(i) Corporate guarantees given by a subsidiary of a shareholder of the Company as at 31 December 2018 and a non-controlling shareholder of a subsidiary as at 31 December 2019;

(ii) Pledge over the Group's equity interest in a subsidiary as at 31 December 2019 and 2018; and

(iii) Certain of the Group's bank and other loans secured by the Group's assets as follows:

	2019 **HK$'000**	2018 HK$'000
Property, plant and equipment	**81,211**	56,367
Right-of-use assets	**10,663**	5,111
Operating concession rights	**39,401**	41,848
	131,275	103,326

(b) The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	2019 **HK$'000**	2018 HK$'000
HK$	**549,250**	598,750
RMB	**840,531**	756,397
	1,389,781	1,355,147

(c) The effective interest rates (per annum) at the end of the reporting period were as follows:

	2019	2018
Bank loans:		
Secured	**3.2% – 5.5%**	4.0% – 5.5%
Unsecured	**4.0% – 4.9%**	3.8% – 7.4%
Other loans:		
Secured	**3.3% – 8.5%**	5.7%
Unsecured	**5.3% – 7.4%**	4.6% – 7.0%

32. DEFERRED INCOME

Deferred income of the Group mainly represented government subsidies received in respect of the Group's construction of hazardous waste treatment facilities and purchase of certain land in the PRC. These subsidies are recognised in profit or loss on a straight-line basis over the expected useful lives of the relevant assets.

33. DEFERRED TAX

Net deferred tax assets/(liabilities) recognised in the consolidated statements of financial position are as follows:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**6,700**	1,643
Deferred tax liabilities	**(16,829)**	(24,835)
	(10,129)	(23,192)

The components of deferred tax assets and liabilities and their movements during the years are as follows:

	Notes	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Provision for major overhaul HK$'000	Temporary differences related to service concession arrangements HK$'000	Net deferred tax assets/ (liabilities) HK$'000
At 1 January 2018		(12,874)	116	(1,385)	(14,143)
Acquisition of subsidiaries	39	(10,746)	–	(317)	(11,063)
Disposal of a subsidiary	40	1,142	–	–	1,142
Net deferred tax credited/(charged) to profit or loss	10	278	118	(13)	383
Exchange realignment		434	(9)	64	489
At 31 December 2018 and 1 January 2019		(21,766)	225	(1,651)	(23,192)
Disposal of subsidiaries	40	11,905	–	–	11,905
Net deferred tax credited/(charged) to profit or loss	10	(1,377)	116	(633)	(1,894)
Exchange realignment		3,024	(5)	33	3,052
At 31 December 2019		**(8,214)**	**336**	**(2,251)**	**(10,129)**

Notes:

(a) Deferred tax assets have not been recognised in respect of unused tax losses of approximately HK$472,396,000 (2018: HK$350,092,000) as at 31 December 2019 as they have arisen in certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. These tax losses will expire in one to five years.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2019 and 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the management of the Group, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totaled approximately HK$613,622,000 (2018: HK$255,499,000) as at 31 December 2019.

34. PROVISION FOR MAJOR OVERHAUL

Pursuant to the hazardous waste management regulation in the PRC, the Group is obliged to prevent the leakage of hazardous and harmful substances after the landfill is full or at the end of the service concession period. The obligation to maintain the landfill is recognised and measured in accordance with HKAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on this maintenance cost is collectively referred to as "major overhaul". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

The movements in the provision for major overhaul of the landfill during the year are as follows:

	Note	**2019** **HK$'000**	2018 HK$'000
At 1 January		**4,999**	5,002
Increase in discounted amounts arising from the passage of time	7	**236**	235
Exchange realignment		**(80)**	(238)
At 31 December		**5,155**	4,999

35. SHARE CAPITAL

Shares

	2019 **HK$'000**
Authorised:	
30,000,000,000 ordinary shares of HK$0.1 each	**3,000,000**
Issued and fully paid:	
2,700,000,000 ordinary shares of HK$0.1 each	**270,000**

The movements in the Company's share capital during the period from 26 March 2019 (date of incorporation) to 31 December 2019 were as follows:

	Notes	**Number of ordinary shares of HK$0.1 each**	**Nominal value of ordinary shares** HK$'000
Authorised:			
At 26 March 2019 (date of incorporation) and 31 December 2019	(i)	30,000,000,000	3,000,000

		Number of shares in issue of HK$0.1 each	**Share capital** HK$'000
Issue and fully paid:			
At 26 March 2019 (date of incorporation) and 31 December 2019	(ii)	2,700,000,000	270,000

35. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

Notes:

(i) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 March 2019 with authorised share capital of HK$3,000,000,000 divided into 30,000,000,000 shares of HK$0.10 each. On the date of its incorporation, one share was allotted and issued by the Company to the initial subscriber for cash at par who subsequently transferred the share to BEWG on the same day.

(ii) On 26 March 2019, 13,499,999,999 ordinary shares of HK$0.10 each were allotted and issued as nil-paid to the then shareholders of Mind Light, the then ultimate holding Company of the Group.

On 26 March 2019, the Company acquired all the issued shares of Mind Light from its respective shareholders. In consideration of the acquisition, the 13,500,000,000 shares of the Company held by each of the then shareholders were all credited as fully paid on 26 March 2019.

Pursuant to a shareholders' resolution dated 15 April 2019 and a directors' resolution dated 15 April 2019, a total of 10,800,000,000 shares were surrendered by the then shareholders, which were subsequently cancelled. Upon completion of the surrender of shares, the issued share capital of the Company became HK$270,000,000 representing 2,700,000,000 shares of HK$0.10 each and the shareholding percentages held by each of the shareholders remained the same.

There was no issued capital as at 31 December 2018 since the Company has not yet been incorporated at that time.

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statements of changes in equity.

(b) Merger reserve

The merger reserve represents the reserve arising from the Reorganisation of the Group in the prior years and during the year.

(c) PRC reserve funds

The PRC reserve funds are reserves set aside in accordance with the PRC Companies Laws as applicable to the Company's subsidiaries. None of the Group's PRC reserve funds at the end of each of the year were distributable in the form of cash dividends.

(d) Capital reserve

Capital reserve represents gain or loss arising on acquisition of non-controlling interests and transfer of reserve from capital reduction of the Company.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2018, among the capital contributions of HK$450,000,000 by the then equity owners, HK$330,480,000 was received in 2017.

(ii) During the year ended 31 December 2019, capital contributions of nil (2018: HK$170,267,000) were made to the acquirees.

(b) Changes in liabilities arising from financing activities:

	Interest-bearing bank and other borrowings HK$'000	Lease liabilities HK$'000	Due to related companies and non-controlling shareholders HK$'000
At 1 January 2018	696,821	59,982	472,218
New leases	–	67,651	–
Increase arising from acquisition of subsidiaries	96,617	2,049	–
Decrease arising from disposal of subsidiaries	(265,294)	–	(9,000)
Changes from financing cash flows	855,608	(21,223)	(94,751)
Interest on lease liabilities	–	7,547	–
Transfer to merger reserve	–	–	(330,480)
Foreign exchange movement	(28,605)	(4,671)	(2,786)
At 31 December 2018 and and 1 January 2019	1,355,147	111,335	35,201
New leases	**–**	**81,852**	**–**
Decrease arising from disposal of subsidiaries	**(77,920)**	**(47,896)**	**–**
Changes from financing cash flows	**117,049**	**(32,193)**	**(34,599)**
Interest on lease liabilities	**–**	**7,138**	**–**
Foreign exchange movement	**(4,495)**	**(6,268)**	**1,274**
At 31 December 2019	**1,389,781**	**113,968**	**1,876**

38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2019	2018
Percentage of equity interests held by non-controlling interests:		
Qingdao and its subsidiaries ("Qingdao Group") (note)	**35%**	35%
Binnan Group (note)	**49%**	49%
Gansu Huayi (note)	**N/A**	38%
Profit/(loss) for the year allocated to non-controlling interests:		
	HK$'000	HK$'000
Qingdao Group (note)	**41,767**	59,606
Binnan Group (note)	**(5,538)**	(2,810)
Gansu Huayi (note)	**N/A**	(21,915)
Accumulated balances of non-controlling interests at the reporting date:		
Qingdao Group	**314,468**	231,834
Binnan Group (note)	**N/A**	163,608
Gansu Huayi (note)	**N/A**	N/A

38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

31 December 2019	**Qingdao Group HK$'000**	**Binnan Group HK$'000 (Note)**
Revenue	**438,741**	**228,355**
Total expenses	**(295,826)**	**(240,529)**
Profit/(loss) for the year	**148,323**	**(11,303)**
Total comprehensive income/(loss) for the year	**143,401**	**(11,099)**
Current assets	**628,090**	**N/A**
Non-current assets	**770,466**	**N/A**
Current liabilities	**(280,426)**	**N/A**
Non-current liabilities	**(305,241)**	**N/A**
Net cash flows from/(used in) operating activities	**134,956**	**(14,094)**
Net cash flows from/(used in) investing activities	**(172,406)**	**6,609**
Net cash flows used in financing activities	**(40,930)**	**(23,621)**
Net decrease in cash and cash equivalents	**(78,380)**	**(31,106)**

Notes:

31 December 2018	Qingdao Group HK$'000	Binnan Group HK$'000 (Note)	Gansu Huayi HK$'000 (Note)
Revenue	421,993	349,214	12,902
Total expenses	(283,485)	(356,639)	(70,679)
Profit/(loss) for the year	168,417	(5,735)	(57,671)
Total comprehensive income/(loss) for the year	162,381	(5,529)	(55,604)
Current assets	488,765	261,288	N/A
Non-current assets	661,281	139,898	N/A
Current liabilities	(250,326)	(150,907)	N/A
Non-current liabilities	(300,591)	(42,162)	N/A
Net cash flows from/(used in) operating activities	(68,099)	30,090	(1,981)
Net cash flows used in investing activities	(153,916)	(58,094)	(3,121)
Net cash flows from/(used in) financing activities	268,789	13,192	(18,065)
Net increase/(decrease) in cash and cash equivalents	46,774	(14,812)	(23,167)

Note: As further disclosed in note 11 to the financial statements, the equity interests of Binnan Group and Gansu Huayi held by the Group had been disposed of by the Group in October 2019 and June 2018, respectively. The above financial information of Binnan Group and Gansu Huayi were disclosed up to 31 October 2019 and 30 June 2018, respectively and no information in respect the financial position of Binnan Group and Gansu Huayi is disclosed after the disposal.

39. BUSINESS COMBINATIONS

The Group has elected to measure the non-controlling interests at the non-controlling interests' proportionate share of acquirees' identifiable net assets.

The Group did not have any business combination during the year 31 December 2019. The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 31 December 2018 as at their respective dates of acquisition are set out as follows:

Year ended 31 December 2018

	Notes	Ningxia HK$'000	Yunnan HK$'000	Others HK$'000	Total HK$'000
Property, plant and equipment	14	91,087	51,853	169,846	312,786
Right-of-use assets	15	3,834	1,829	19,152	24,815
Other intangible assets	18	–	–	221	221
Long term prepayments		–	3,047	150	3,197
Contract assets		–	25,405	–	25,405
Deferred tax assets	33	1,368	–	–	1,368
Inventories		14,086	–	14,681	28,767
Trade receivables		580	29,982	8,751	39,313
Other taxes recoverable		2,567	4,931	8,194	15,692
Prepayments, deposits and other receivables		26,260	40,631	183,209	250,100
Due from related companies		28,445	(705)	(2,184)	25,556
Pledged deposits		2,473	–	–	2,473
Cash and cash equivalents		2,467	5,046	11,739	19,252
Trade payables		(4,063)	(18,980)	(11,526)	(34,569)
Other payables and accruals		(12,834)	(87,061)	(64,390)	(164,285)
Other taxes payable		–	–	(7)	(7)
Income tax payable		–	(2,086)	65	(2,021)
Bank and other borrowings		(3,710)	(23,168)	(69,739)	(96,617)
Deferred income		(5,565)	–	(10,077)	(15,642)
Deferred tax liabilities	33	–	(317)	(12,114)	(12,431)
Total identifiable net assets at fair value		146,995	30,407	245,971	423,373
Non-controlling interests		(57,328)	(2,137)	(83,529)	(142,994)
		89,667	28,270	162,442	280,379
Goodwill on acquisition	16	157,680	–	55,301	212,981
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss		–	(3,322)	(1,404)	(4,726)
		247,347	24,948	216,339	488,634
Satisfied by:					
Cash		247,347	24,948	46,072	318,367
Capital contribution to the acquirees		–	–	170,267	170,267
		247,347	24,948	216,339	488,634

39. BUSINESS COMBINATIONS *(Continued)*

During the year ended 31 December 2018 (Continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Ningxia HK$'000	Yunnan HK$'000	Others HK$'000	Total HK$'000
Cash consideration	(247,347)	(24,948)	(46,072)	(318,367)
Cash and cash equivalents acquired	2,467	5,046	11,739	19,252
Consideration payable included in other payables and accruals	124,706	30,631	41,889	197,226
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	(120,174)	10,729	7,556	(101,889)

Had the above business combinations taken place at 1 January 2018, the Group's profit for the year ended 31 December 2018 from continuing operations would have been HK$211,725,000 (restated) and the Group's revenue from continuing operations would have been HK$2,133,831,000 (restated).

Notes:

Business combinations during the year ended 31 December 2018 included, inter alia, the following material transactions:

(i) In March 2018, the Group completed the acquisition of a 61% equity interest in Ningxia which engaged in the provision of hazardous waste treatment services in Ningxia at an aggregate cash consideration of HK$247,347,000. As part of the equity transfer agreement, the aggregate cash consideration would be reduced if the financial results for the year ended 31 December 2018 were less than a specified amount. No contingent asset was recognised as the actual financial results were close to the specified amount.

(ii) In December 2018, the Group completed the acquisition of a 70% equity interest in Yunnan which engaged in the provision of environmental hygiene services in Yunnan at an aggregate cash consideration of HK$24,948,000.

(iii) In December 2018, the Group acquired certain subsidiaries which engaged in the provision of hazardous waste treatment related services at a total cash consideration of HK$216,339,000.

The purpose of the above acquisitions is to expand the operations of the Group in the respective fields.

The fair values (which are also their respective gross contractual amounts) of trade receivables, prepayments, deposits and other receivables and amounts due from related companies as at the date of acquisitions during the year ended 31 December 2018 amounted to HK$39,313,000, HK$253,297,000 and HK$25,556,000, respectively. None of these receivables had been impaired and it was expected that the full contractual amount could be recovered.

40. DISPOSAL OF SUBSIDIARIES

Year ended 31 December 2019

	Notes	Binnan Group HK$'000	Others HK$'000	Total HK$'000
Net assets disposed of:				
Property, plant and equipment	14	69,508	169,960	239,468
Right-of-use assets	15	42,880	19,297	62,177
Goodwill	16	52,171	56,027	108,198
Intangible assets	18	304	205	509
Tax recoverable		1,776	1,660	3,436
Other taxes recoverable		–	4,014	4,014
Deferred tax assets	33	368	–	368
Share of net assets of associates		554	–	554
Long term other receivables		1,457	–	1,457
Long term prepayments		2,667	2,049	4,716
Inventories		2,346	11,046	13,392
Trade receivables		129,511	5,676	135,187
Prepayments, deposits and other receivables		56,732	10,981	67,713
Cash and cash equivalents		8,441	7,029	15,470
Other taxes payable		(2,528)	–	(2,528)
Deferred income		183	(9,877)	(9,694)
Trade payables		(27,991)	(8,711)	(36,702)
Lease liabilities		(47,896)	–	(47,896)
Other payables and accruals		(84,229)	(72,409)	(156,638)
Bank and other borrowings		(13,284)	(64,636)	(77,920)
Deferred tax liabilities	33	–	(12,273)	(12,273)
Non-controlling interests		(135,657)	(80,481)	(216,138)
		57,313	39,557	96,870
Exchange fluctuation reserve realised		8,564	(38)	8,526
Gain on disposal of a discontinued operation		17,449	–	17,449
Gain on disposal of subsidiaries	5	–	2,841	2,841
		83,326	42,360	125,686
Satisfied by:				
Cash		83,326	–	83,326
Offsetting of current accounts with the acquirees		–	42,360	42,360
		83,326	42,360	125,686

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Binnan Group HK$'000	Others HK$'000	Total HK$'000
Cash consideration	83,326	–	83,326
Cash and cash equivalents disposed of	(8,441)	(7,029)	(15,470)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	74,885	(7,029)	67,856

Details of the disposal of equity interests in Binnan Group are set out in note 11 to the financial statements.

40. DISPOSAL OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2018

	Notes	Gansu Huayi HK$'000	Others HK$'000	Total HK$'000
Net assets disposed of:				
Property, plant and equipment	14	174,533	141	174,674
Right-of-use assets	15	30,783	–	30,783
Intangible assets	18	571	–	571
Long term prepayments		–	27	27
Inventories		13,182	–	13,182
Trade receivables		8,335	–	8,335
Prepayments, deposits and other receivables		5,217	124	5,341
Due from related companies		11,844	–	11,844
Pledged bank balances		415	–	415
Cash and cash equivalents		2,436	534	2,970
Trade payables		(6,603)	–	(6,603)
Other payables and accruals		(30,655)	(51)	(30,706)
Other taxes payable		(963)	15	(948)
Due to related companies		(9,000)	–	(9,000)
Bank and other borrowings		(265,294)	–	(265,294)
Deferred income		(790)	–	(790)
Other long term liabilities		(6)	–	(6)
Deferred tax liabilities	33	(1,142)	–	(1,142)
Non-controlling interests		25,513	(386)	25,127
		(41,624)	404	(41,220)
Exchange fluctuation reserve realised		(4,216)	–	(4,216)
Gain on disposal of a discontinued operation		315,714	–	315,714
Gain on disposal of subsidiaries		–	206	206
		269,874	610	270,484
Satisfied by:				
Cash		269,874	610	270,484

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Gansu Huayi HK$'000	Others HK$'000	Total HK$'000
Cash consideration	269,874	610	270,484
Cash and cash equivalents disposed of	(2,436)	(534)	(2,970)
Consideration receivable as at year end	(269,874)	–	(269,874)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	(2,436)	76	(2,360)

Details of the disposal of equity interests in Gansu Huayi are set out in note 11 to the financial statements.

41. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are included in note 31(a) to the financial statements.

42. COMMITMENTS

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

	2019 HK$'000	2018 HK$'000
Contracted, but not provided for:		
Construction in progress	**101,205**	401,606
Plant and equipment	**427,031**	212,196
Prepaid land lease premium	**10,787**	22,221
	539,023	636,023

43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the years:

	Notes	2019 HK$'000	2018 HK$'000
Related companies			
Interest expenses	(i)	**900**	4,573
Interest income	(ii)	**6,557**	3,678
Costs of services provided[Y]	(iii)	**3,574**	2,808
Gain on disposal of items of property, plant and equipment	(iv)	**578**	–
Service income[#Y]	(iv)	**10,572**	–
Sale of uniforms and machinery	(v)	**856**	–

[#] These related party transactions also constitute continuing connected transactions that are exempted from the reporting, announcement and independent shareholders' approval requirement as defined in Chapter 14A of the Listing Rules.

[Y] These related party transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

Notes:

(i) Interest expenses mainly represented amounts paid to a subsidiary of BEWG.

(ii) The transactions were based on terms mutually agreed between the Group and the related party. Further details of the interest rate and the name of the entity are included in notes 26(a) and 26(b) to the financial statements.

(iii) During the years ended 2019 and 2018, the Group engaged an associate of BEWG to provide the waste treatment services, based on terms mutually agreed between the Group and the related party.

(iv) The Group transferred certain items of property, plant and equipment for the provision of environmental hygiene services to a subsidiary of BEWG on 1 April 2019 at a cash consideration of HK$29 million. A disposal gain of HK$0.6 million arose from the transaction. The Group then immediately entered into an arrangement with the related company to provide entrusted operation service for this related party. An amount of HK$10.6 million was recognised for the services provided for the year ended 31 December 2019.

(v) The amount represented income generated from a one-off transaction of the sale of uniforms and machinery for the provision of environmental hygiene services to a related company of BEWG.

(vi) The Group leased an office building from a subsidiary of BEWG from 1 January 2019 to 31 December 2021. The rental fee is RMB160,000 per month throughout the contract period. The financial impact of the lease was included in right-of-use assets and lease liabilities in the financial statements for the year ended 31 December 2019.

43. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties:

Details of the Group's balances with the related parties are disclosed in note 26 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2019 HK$'000	2018 HK$'000
Short term employee benefits	2,900	1,575
Post-employment benefits	157	137
Total compensation paid to key management personnel	3,057	1,712

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

44. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at the end of the reporting period were financial assets and financial liabilities at amortised cost, respectively.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, balances with related companies and cash and cash equivalents. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, environmental decommissioning fees receivable, deposits and other receivables, other payables and accruals, trade payables and lease liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The senior management of the Group reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risk relates principally to the Group's bank loans with floating interest rates. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax from continuing operations (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax of the Group HK$'000
For the year ended 31 December 2019		
HK$	**100**	**(13,720)**
HK$	**(100)**	**13,720**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax of the Group HK$'000
For the year ended 31 December 2018		
HK$	100	(10,260)
HK$	(100)	10,260

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's businesses are mainly carried out by subsidiaries located in Mainland China and the majority of their transactions are conducted in RMB. The Group therefore has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

Owing to the fact that the presentation currency of these financial statements is the Hong Kong dollar but the functional currency of the Company, the PRC subsidiaries, joint venture and associate is RMB, the Group's statements of financial position can be affected significantly by movements in the RMB/HK$ exchange rate.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB/HK$ exchange rate, with all other variables held constant, of the Group's profit before tax from continuing operations and the Group's equity.

	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
For the year ended 31 December 2019		
If HK$ strengthens against RMB by 5%	**24,379**	**(139,500)**
If HK$ weakens against RMB by 5%	**(24,379)**	**139,500**

	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
For the year ended 31 December 2018		
If HK$ strengthens against RMB by 5%	14,495	(131,153)
If HK$ weakens against RMB by 5%	(14,495)	131,153

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 December 2019 and 2018

Management groups financial instruments on the basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining a significant increase in credit risk and the calculation of impairment. The gross carrying amount of each financial asset in the consolidated statements of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2019 and 2018.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract such as a default or past due event
- it is probable that the debtor will enter bankruptcy or other financial reorganisation

To manage credit risk arising from debtors and contract assets, the credit quality of the debtors is assessed, taking into account their financial position, historical settlement records, past experience and other factors. The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade receivables and contract assets. The ECLs also incorporated forward-looking information.

The Group has established a policy to perform an assessment as at 31 December 2019 and 2018, of whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group groups its bills receivable and other receivables into Stage 1 as described below:

Stage 1 When the receivables are first recognised, the Group recognised an allowance based on the 12-month ECL.

Management also makes periodic collective assessments for the receivables as well as individual assessment on the recoverability of the receivables based on historical settlement records, past experience and other factors. The Group classified the receivables into different stages by risk and continuously monitored their credit risk. Management believes that there was no material credit risk inherent in the Group's outstanding balances as at 31 December 2019 and 2018.

As at 31 December 2019 and 31 December 2018, all pledged deposits and cash and cash equivalents were deposited with creditworthy financial institutions without significant credit risk.

The Group does not provide any guarantees which would expose the Group or the Company to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from the financial assets are set out in notes 21, 23, 24 and 25 to the financial statements.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

The table below summarises the maturity profile of the Group's financial liabilities as at the end of each of the year, based on the contractual undiscounted payments, is as follows:

At 31 December 2019

	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Over five years HK$'000	Total HK$'000
Trade and bills payables	160,529	–	–	–	160,529
Other payables and accruals	825,663	46,336	39,562	30,628	942,189
Due to related companies	1,876	–	–	–	1,876
Interest-bearing bank and other borrowings	618,629	343,025	470,976	223,147	1,655,777
	1,606,697	389,361	510,538	253,775	2,760,371

At 31 December 2018

	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Over five years HK$'000	Total HK$'000
Trade and bills payables	121,928	–	–	–	121,928
Other payables and accruals	938,088	27,027	30,600	81,171	1,076,886
Due to related companies	32,703	–	–	–	32,703
Due to non-controlling shareholders	2,498	–	–	–	2,498
Interest-bearing bank and other borrowings	355,196	493,509	524,972	205,676	1,579,353
	1,450,413	520,536	555,572	286,847	2,813,368

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is the aggregate of interest-bearing bank and other borrowings and lease liabilities divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratio as at the end of each of the years was as follows:

	2019 **HK$'000**	2018 HK$'000
Interest-bearing bank and other borrowings	**1,389,781**	1,355,147
Lease liabilities	**113,968**	111,335
Total debt	**1,503,749**	1,466,482
Total equity	**2,257,558**	2,144,510
Gearing ratio	**67%**	68%

47. EVENTS AFTER REPORTING PERIOD

(a) On 15 January 2020, 900,000,000 new ordinary shares with a par value of HK$0.1 each of the Company were issued at a price of HK$0.69 by way of share offer. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

(b) In late 2019 and early 2020, there was an outbreak of an infectious respiratory disease named "COVID-19" by the World Health Organization, which is caused by a novel coronavirus. The PRC government has implemented various contingency measures and actions to prevent the spread of COVID-19 such as extension of the Chinese New Year holiday, as well as travel and work restrictions in certain provinces and municipalities in China. The COVID-19 outbreak is expected to cause a great impact to the economic and business environment in the PRC. However, the Group's operations and financial performance were not significantly adversely affected during the year ended 31 December 2019 and up to the date of approval of these financial statements. The Group's hazardous waste treatment factories have resumed operations gradually from February and March 2020 onwards, whereas the Group's environmental hygiene services projects continued its operation during the above-mentioned period. In addition, from 1 January 2020 to the date of approval of these financial statements, the Group has won a total of 5 tenders in respect of its environmental hygiene services projects, details of which are disclosed in the announcements of the Company dated 20 January 2020, 12 February 2020 and 18 March 2020, respectively.

48. COMPARATIVE AMOUNTS

As further noted in note 11 to the financial statements, the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Note	2019 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary		1,316,262
CURRENT ASSETS		
Prepayments		14,419
Cash and cash equivalents		1,000
Total current assets		15,419
CURRENT LIABILITIES		
Due to a subsidiary		15,890
Other payables and accruals		3,500
Total current liabilities		19,390
NET CURRENT LIABILITIES		3,971
TOTAL ASSETS LESS CURRENT LIABILITIES		1,312,291
Net assets		1,312,291
EQUITY		
Share capital	35	270,000
Reserves (Note)		1,042,291
Total equity		1,312,291

Note:

A summary of the Company's reserves is as follows:

	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 26 March 2019 (date of incorporation)	–	–	–
Loss for the year and total comprehensive loss for the year	–	(3,971)	(3,971)
Acquisition of a subsidiary	(33,738)	–	(33,738)
Capital reduction	1,080,000	–	1,080,000
At 31 December 2019	1,046,262	(3,971)	1,042,291

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2020.

FOUR-YEAR FINANCIAL SUMMARY

Year ended 31 December 2019

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements and the prospectus of the Company dated 30 December 2019, as restated as appropriate, is set out below.

RESULTS

	Year ended 31 December			
	2019 HK$'000	2018 HK$'000 (Restated)	2017 HK$'000 (Restated)	2016 HK$'000
CONTINUING OPERATIONS				
Revenue	**2,711,228**	1,862,618	776,146	24,640
Profit before tax from continuing operations	**433,360**	262,868	71,555	19,125
Income tax expenses	**(87,492)**	(43,235)	(13,687)	35
PROFIT FOR THE YEAR FROM CONTINUING OPERATION	**345,868**	219,633	57,868	19,160
DISCONTINUED OPERATIONS				
Profit/(loss) for the year from discontinued operations	**6,146**	252,308	(106,118)	(74,548)
PROFIT/(LOSS) FOR THE YEAR	**352,014**	471,941	(48,250)	(55,388)
Attributable to:				
Owners of the parent	**281,328**	430,383	(28,522)	(27,020)
Non-controlling interest	**70,686**	41,558	(19,728)	(28,368)
	352,014	471,941	(48,250)	(55,388)

ASSET, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December			
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total assets	**4,987,200**	4,902,422	3,094,510	1,502,765
Total liabilities	**(2,729,642)**	(2,757,912)	(1,993,069)	(605,317)
	2,257,558	2,144,510	1,101,441	897,448
Equity attributable to owners of the parent	**1,813,820**	1,555,476	763,836	731,983
Non-controlling interests	**443,738**	589,034	337,605	165,465
	2,257,558	2,144,510	1,101,441	897,448

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