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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhou Min (*Chairman*) (*redesignated on 1 August 2022*)  
Mr. Zhao Kexi (*Chief Executive Officer*)  
Mr. Li Li (*redesignated on 1 August 2022*)  
Mr. Li Haifeng (*redesignated on 1 August 2022*)  
Mr. Zhou Chen

### 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

## WEBSITE

[www.beur.net.cn](http://www.beur.net.cn)

## INVESTOR RELATIONS CONTACT

Email Address: [ir@beurg.com](mailto:ir@beurg.com)

## REGISTERED OFFICE

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Hutchins Drive  
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Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 6705-07  
67th Floor, Central Plaza  
18 Harbour Road, Wanchai  
Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

5th to 8th Floor  
Block 101  
Baiziwan East Lane  
Chaoyang District  
Beijing  
PRC

## PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## AUDITOR

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

## PRINCIPAL BANKERS

*In Hong Kong:*  
DBS Bank (Hong Kong) Limited  
CMB Wing Lung Bank  
China Minsheng Banking Corp., Ltd.

*In Mainland China:*  
Bank of Beijing  
Bank of Communication Co., Ltd.  
Bank of Jiangsu



# CHAIRMAN'S STATEMENT

Dear Shareholders:

In the first half of 2022, due to the repeated outbreak of COVID-19 in various regions, coupled with geopolitical crisis and prominent challenges from climate change, the recovery of the global economy again encountered tough challenges, and the internal and external environment for China's economic development have become more complex and difficult, the industrial chain and supply chain systems have been severely impacted and the prices of energy and raw materials have soared up, as a result of which the market competition have intensified and the industry was put under great pressure. In response to market changes, Beijing Enterprises Urban Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") has proactively adjusted its strategies, emphasizing on stringent risk control, continuously improving professional service quality, enhancing customer satisfaction and accelerating market expansion effectively, so as to achieve the corporate vision of "being a reliable, industry-leading and comprehensive service provider for digital and intelligent urban operation".

## BUSINESS REVIEW

For the six months ended 30 June 2022 (the "Reporting Period"), the Group recorded a revenue of approximately HK\$2,394.9 million, representing an increase of approximately 13.5% as compared with the corresponding period last year. Profit for the period attributable to shareholders of the Company was approximately HK\$160.5 million, representing a decrease of approximately 35.4% as compared with the corresponding period last year. An interim dividend of HK1 cent per share is proposed to be declared. Dividend payout ratio is approximately 22.4%.

As China has become more aware of environmental protection and governance, driven by policies, the environmental protection industry will face unprecedented opportunities for development. In the first half of 2022, the state launched a package of policies and implementation measures to support the environmental protection industry development, including promoting the investment and construction of urban and rural environmental protection infrastructure and accelerating the implementation of preferential policies on tax and surcharge for green development, intensifying its efforts on reforming government procurement services in key areas such as urban and rural community public services and public health services, and speeding up the improvement of garbage collection and treatment system to further the construction of smart garbage sorting facilities and communities. Meanwhile, our government has promulgated the national standards for urban and rural sanitation and cleaning services to further regulate sanitation service and improve its standard. The Group has actively responded to national policies, and it has met regional and customized service needs while continuously improving service standardization, with an aim of persistently improving service quality on the foundation of the industry.

The environmental hygiene service industry is now under rapid development. Enterprises in other industries have successively sought to expand their scope of operation, and this has promoted cooperation among enterprises and significantly helped to release the potential for development. Meanwhile, affected by external factors such as soaring energy prices, the industry also witnessed intensified competition. During the Reporting Period, the Group has increased its efforts on market expansion for high-quality projects and won tenders on 10 new projects. As of 30 June 2022, the Group has 134 environmental hygiene service projects. The Group provides lean services by establishing a standardized system, upgrading hardware equipment, refining work procedures and enhancing the application of smart platforms to create a quality service model and render quality service to meet different demands of customers. The Group adheres to the principle of "customer-oriented", and has greatly improved customer satisfaction through comprehensively strengthening customer management, and it will continue to create value for customers, with an aim to become an important force that can be trusted and relied on by customers for urban management where the project is located.



## CHAIRMAN'S STATEMENT (CONTINUED)

The hazardous waste treatment industry faces unprecedented challenges against the increasingly severe external environment and extremely fierce competition. During the Reporting Period, due to the epidemic, the amount of waste produced by industrial enterprises decreased, the market price of raw materials of recycling projects rose sharply, and the prices of related auxiliary materials and energy increased, resulting in the decrease of the profit margin of the hazardous waste treatment business. The Group actively coped with market changes and adjusted market strategies by formulating targeted solutions of "one enterprise, one policy", continuously improved production operation and energy saving technologies and strengthened continuous production on the basis of safety and environmental protection, so as to ensure the treatment facilities operate smoothly.

### COMPANY CONTROL

During the Reporting Period, the Group strengthened its internal control in a comprehensive way, built up internal management procedure and promoted standardized development. By optimizing organizational structure of the headquarters and business department and dividing regional authorization system, the Group had organizational efficiency fully improved, demonstrating the effectiveness of regional reform. The structural reorganization of each region, clear functional positioning, effective resources integration and strengthening of organizational capacity construction of "market and stock" allowed "regional organization" to act as an important element on the fierce market completion. The Group has initiated projects on collecting operation data for management projects, improving project evaluation standards and enhancing risk management.

In respond to the national trend of vigorously developing digital economy and industrial machine intelligence, the Group has established the business development direction in line with urban refined management and intelligent construction, actively promoting digital and intelligent construction, and leading the business growth empowered with science and technology. During the Reporting Period, on the basis of its basic digital framework, the Group further improved the CRM customer management system, optimized the human resources system, and enhanced the office system application, so as to improve the work efficiency and back up the business development. It was a key milestone for the Group to launch supply chain system, establishing its unified supply standards, and realizing the integration which covers supplier management, full process of online approval and business financial management. Our environmental hygiene business has been planning to construct the Phase II project of smart environmental hygiene platform with emphasis on three aspects, namely projects, regions and business units, and has strengthened the application and analysis of data based on the information of contracts, vehicles, personnel and operation quality management, realizing unified management and lean operation of specialized services.

Continuing its efforts of putting its development philosophy of Healthy, Safe and Environmental into practice, the Group coordinated operation management, supervision and inspection, improved Healthy, Safe and Environmental (HSE) management system, strengthened HSE management and control measures, widened the scope of investigation and management of hidden dangers, and actively conducted HSE training, thus effectively minimizing HSE risks while ensuring the safe, stable and orderly operation of the business.

### SUSTAINABLE DEVELOPMENT

The "14th Five-Year Plan" marked a key period for the transit of construction of ecological civilization into pollution reduction, carbon reduction, green development, quality improvement. Adhering to the corporate mission of "making living environment better", the Group has been promoting the improvement of environmental, social and governance system, enhancing the efficiency of resource use, and increasing the use of new energy vehicles, putting effort to reduce and detoxicate hazardous wastes, as well as to use resources in a comprehensively manner, improving the quality of environmental hygiene services, beautifying urban and rural appearance, and realizing the healthy and sustainable development of enterprises. The Group would like to work shoulder to shoulder with the government and society to achieve the dual carbon target, mitigate climate change, and contribute to urban quality improvement, green development transformation and environmental quality improvement.



## CHAIRMAN'S STATEMENT (CONTINUED)

During the Reporting Period, the Group implemented the concept of “Green Olympics” to built a smart waste cleaning and cleaning management system in line with the standards of Winter Olympic (Paralympic) Games, assisting with the success of Winter Olympic (Paralympic) Games through high standards of refined, standardized and mechanized operations, and our efforts was widely recognized and highly commented by relevant departments.

The Group operated in strict compliance with laws and regulations, upgraded the level of corporate governance, perfected the project review mechanism, intensified anti-fraud audit supervision and inspection, so as to prevent and control operational risks; various training was put in place to publicize and carry out the corporate culture and compliance development concept, boost cultural construction, enhance brand effect, and provide guarantee for the long-term sustainable and stable operation and development of the Company.

With the expansion of its business, the Group understands that strategic talent selection and cultivation was crucial for its rapid development. During the Reporting Period, the Group has strengthened talent team building through expanding the talent recruitment channels, improving the talent cultivation system, and implementing the second phase of “Echelon Plan” program, a program for reserve talent training, for growing professional talent. The Group actively encouraged and guided employees to learn and grow for updating the comprehensive quality of employees, while facilitating employees to understand our corporate culture and strategic objectives for raising the cohesion of the enterprise.

### OUTLOOK FOR THE FUTURE

With the implementation of scientific prevention and control measures against the pandemic, the pandemic was effectively under control, and relevant production capacity and market demands will gradually pick up in the second half of the year. The Group will pay close attention to the market development, and promoted the interaction between recycling and detoxication of hazardous waste treatment businesses for higher profitability.

The Group will actively grasp the rapid development opportunities in the environmental hygiene services market and build a flexible and diversified marketing system while putting emphasis on increasing sales in key cities, facilitating marketing with brand and bench-marking programs, leveraging on market strengths and differentiation, strengthening marketing channels construction, vigorously expanding highly profitable markets, and raising market share. The Group will always put customers first, enhancing professional service ability, building company's core competitiveness, and establishing a solid foundation for business development through sound service quality control system.

The Group will firmly adhere to the implementation of digital-intelligent policy by continuously promoting the construction of a smart sanitation system internally and accelerating the deployment of “unified management through one network” system externally. The Group will enhance its capabilities in scientific research and development and technological implementation to improve the technology management system; perfect the talent training system to continue to cultivate high-quality talents that are in line with the development strategy of the Group and satisfy its business expansion needs; and strengthen the management and control of safety and environmental protection so as to stick to the path of green and sustainable development, thus achieving a harmonious and high-quality development among the enterprise, society and environment.

Finally, I would like to express my sincerest gratitude to the shareholders, customers, employees and partners who always give strong support to the Group.

**Zhou Min**

*Chairman of the Board*

26 August 2022



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS

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

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

## IMPACTS OF COVID-19

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

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

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## BUSINESS REVIEW

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

### Environmental hygiene services

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

According to a report by Frost & Sullivan, a global market research and consulting firm, the size of China's environmental hygiene service market increased from RMB227.0 billion in 2017 to RMB309.1 billion in 2021, and is expected to further increase to RMB347.2 billion and RMB534.8 billion in 2022 and 2026, respectively.

In line with common practice in the environmental hygiene service industry, the relevant market is classified into two sectors, namely the government agency sector and the enterprise sector. The enterprise sector accounted for only 29.7% of the total market in 2017 whereas the share of the enterprise sector as a percentage of the total market increased to 60.5% in 2021, and is expected to further increase to 81.5% in 2026.

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

	Number of projects
As at 1 January 2022	128
Newly added	10
Terminated to operate	(4)
As at 30 June 2022	134

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

Operating Models	Number of projects
Operation & Maintenance ("O&M")	130
Public-Private-Partnership ("PPP") – Transfer-Operate-Transfer project	4
Total	134

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





## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

### Hazardous waste treatment business

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

According to a report by Frost & Sullivan, a global market research and consulting firm, from 2017 to 2021, the disposal volume of hazardous waste in China increased from 65.8 million tons to 99.5 million tons. Disposal is mainly used for waste on which no other proper treatment methods are available. Hazard-free waste disposal aims to eliminate or minimize negative effect that hazardous waste may have on the environment. Landfill and incineration are two of the most common treatment methods for solid hazardous waste. For liquid hazardous waste, common treatment methods include flocculation and purification. Before being disposed of, hazardous waste needs to undergo certain pretreatment methods based on its nature. Common pretreatment methods include physical-chemical and solidification or stabilization.

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

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

As at 30 June 2022, the Group had 8 hazardous waste treatment projects in operation. As of 30 June 2022, treatment facilities of our projects that engaged in hazard-free waste disposal had a total designed treatment capacity of 351,016 tons per annum (31 December 2021: 351,016 tons). Treatment facilities of projects that engaged in recycling and reuse had a total designed treatment capacity of 250,000 tons per annum (31 December 2021: 250,000 tons), as of the same date. As of 30 June 2022, the Group also had 4 projects under construction.

### Other business

Other business represents waste electrical and electronic equipment treatment business. As of 30 June 2022, the Group had two revenue-generating waste electrical and electronic equipment treatment projects.

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## FINANCIAL PERFORMANCE

### Revenue and gross profit margin

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

### Environmental hygiene services

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

The gross profit margin of the Group's environmental hygiene services projects decreased from 27.4% for the six months ended 30 June 2021 to 21.7% for the six months ended 30 June 2022, partly because there was a value-added-tax relief ("VAT Relief") granted by the local government in the PRC due to the COVID-19 pandemic in the six months ended 30 June 2021 (before taking into account the effect of corporate income tax and non-controlling interests of the respective projects). There were no such kind of relief granted by the local government in the PRC during the six months ended 30 June 2022.

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

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Hazardous waste treatment services

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

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

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

	Hazard-free waste disposal projects			Recycling and reuse projects			Total		
	Six months ended 30 June		Change	Six months ended 30 June		Change	Six months ended 30 June		Change
	2022	2021		2022	2021		2022	2021	
Revenue (HK\$'000)	182,282	221,476	(17.7)%	119,852	119,546	0.3%	302,134	341,022	(11.4)%
Actual treatment/sale volume (tons)	85,024	106,643	(20.3)%	20,749	29,780	(30.3)%	105,773	136,423	(22.5)%
Average sales price (HK\$/ton)	2,144	2,077	3.2%	5,776	4,014	43.9%	2,856	2,500	14.2%

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

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

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

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

### Administrative expenses

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Finance costs

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

### Income tax expense

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

### Property, plant and equipment

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

### Right-of-use-assets

Right-of-use assets consist of buildings, motor vehicles and prepaid land lease premium. Decrease in right-of-use assets was mainly due to net effect of (i) additions of HK\$25.1 million; and (ii) depreciation provided during the six months ended 30 June 2022 in the amount of HK\$19.7 million.

### Goodwill

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

### Operating concessions

Operating concessions represented arrangements involving the Group as a provider of environmental hygiene services on behalf of the relevant government agencies. Decrease in operating concessions was mainly due to amortisation provided during the six months ended 30 June 2022 in the amount of HK\$27.7 million.

### Receivables under service concession arrangements

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

### Trade and bills receivables

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

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

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

### Environmental decommissioning fee receivable

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



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Contract assets

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

## Prepayments, deposit and other receivables

Increase in prepayments, deposit and other receivables was mainly due to the increase in prepayment for purchase of inventories in the amount of HK\$13.0 million.

## Trade and bills payables

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

## Other payables and accruals

Other payables and accruals mainly represented payable for acquisition of property, plant and equipment, accruals for the Group's expenses, dividend payable and lease liabilities. The increase was mainly due to (i) increase in dividend payable for the final dividend proposed for the year ended 31 December 2021 in the amount of HK\$108 million; and (ii) increase in payable for acquisition of property, plant and equipment in the amount of HK\$173.5 million.

## Interest-bearing bank and other borrowings

Increase in bank and other borrowings was mainly due to drawdown of bank borrowings during the six months ended 30 June 2022 for the purposes of development in the Group's environmental hygiene services and hazardous waste treatment businesses.

## Liquidity and financial resources

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

As at 30 June 2022, the Group's cash and cash equivalents amounted to approximately HK\$1,547.5 million (31 December 2021: approximately HK\$1,688.9 million).

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

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

## Capital expenditure

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

## FUTURE OUTLOOK

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

The Group's hazardous waste treatment services business is expected to recover in the second half of 2022 due to the gradual recovery of the overall PRC economy.

In addition, the Group persists in the "green and low-carbon" (綠色低碳) development philosophy and actively responds to the development strategy for realizing the carbon neutrality target of the country. The Group's environmental hygiene service business implements the green environmental protection philosophy. In particular, while serving to improve the urban and rural environment, the Group continues to try to increase the usage of new energy vehicles in its projects so as to reduce pollution emission.

### CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings of the Group as at 30 June 2022 are secured by:

- (i) pledges over the Group's equity interest in subsidiaries and a non-controlling shareholder's equity interest in a subsidiary as at 30 June 2022 and 31 December 2021; and
- (ii) pledges over certain of the Group's property, plant and equipment, right-of-use assets and operating concession rights as at 30 June 2022 and 31 December 2021.

Save as disclosed above, as at 30 June 2022, the Group did not have any charges on the Group's assets.

### CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

### FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a(n) increase/decrease in the Group's net asset value. During the six months ended 30 June 2022, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed 50,436 employees (30 June 2021: 39,737 employees) with total staff cost of approximately HK\$1,040.7 million incurred for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$861.6 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

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

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



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

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



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

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





# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	2,968,486	2,748,027
Right-of-use assets		410,575	415,393
Goodwill		292,153	302,383
Operating concessions		196,121	231,355
Other intangible assets		7,856	6,036
Prepayments, deposits and other receivables		74,964	82,507
Investment in a joint venture		41,397	40,594
Equity investment designated at fair value through other comprehensive income		5,882	6,098
Receivables under service concession arrangements	10	130,091	134,472
Trade receivables	11	31,649	32,807
Contract assets		30,766	31,891
Deferred tax assets		44,529	35,898
<b>Total non-current assets</b>		<b>4,234,469</b>	4,067,461
<b>CURRENT ASSETS</b>			
Inventories		93,536	74,072
Receivables under service concession arrangements	10	15,428	21,867
Trade and bills receivables	11	1,860,230	1,547,016
Environmental decommissioning fees receivable	12	430,676	394,932
Contract assets		1,729	1,792
Other tax recoverable		99,105	176,275
Prepayments, deposits and other receivables		162,650	139,191
Due from related companies		23,026	8,072
Due from non-controlling shareholders		18,924	17,103
Restricted cash and pledged deposits		103	28,231
Cash and cash equivalents		1,547,497	1,688,903
<b>Total current assets</b>		<b>4,252,904</b>	4,097,454
<b>TOTAL ASSETS</b>		<b>8,487,373</b>	8,164,915



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	357,631	274,973
Other payables and accruals		1,145,162	872,265
Other taxes payable		30,254	24,562
Income tax payable		49,870	27,236
Due to related companies		4,169	6,496
Due to non-controlling shareholders		64,675	57,822
Interest-bearing bank and other borrowings	14	401,073	402,991
Total current liabilities		2,052,834	1,666,345
<b>NET CURRENT ASSETS</b>		<b>2,200,070</b>	2,431,109
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,434,539</b>	6,498,570
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		184,603	181,842
Other payables and accruals		102,710	100,316
Deferred tax liabilities		39,322	40,818
Interest-bearing bank and other borrowings	14	1,960,851	1,912,835
Provision for major overhauls		47,464	42,064
Total non-current liabilities		2,334,950	2,277,875
<b>NET ASSETS</b>		<b>4,099,589</b>	4,220,695
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	15	360,000	360,000
Reserves		3,031,641	3,138,237
		3,391,641	3,498,237
<b>Non-controlling interests</b>		<b>707,948</b>	722,458
<b>TOTAL EQUITY</b>		<b>4,099,589</b>	4,220,695



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent									
	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Exchange fluctuation reserve HK\$'000	PRC reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2021 (audited)	360,000	497,436	1,075,029	(2,170)	131,504	156,299	793,429	3,011,527	655,538	3,667,065
Profit for the period (unaudited)	-	-	-	-	-	-	248,533	248,533	58,001	306,534
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	44,314	-	-	44,314	8,175	52,489
Total comprehensive income for the period (unaudited)	-	-	-	-	44,314	-	248,533	292,847	66,176	359,023
Capital contributions from non-controlling shareholders (unaudited)	-	-	-	-	-	-	-	-	23,005	23,005
Acquisition of non-controlling interests (unaudited)	-	-	(108,409)	-	-	-	-	(108,409)	(36,158)	(144,567)
Dividend paid to non-controlling shareholders (unaudited)	-	-	-	-	-	-	-	-	(11,504)	(11,504)
Transfer between reserves (unaudited)	-	-	-	-	-	29,430	(29,430)	-	-	-
At 30 June 2021 (unaudited)	360,000	497,436	966,620	(2,170)	175,818	185,729	1,012,532	3,195,965	697,057	3,893,022
At 1 January 2022 (audited)	<b>360,000</b>	<b>497,436*</b>	<b>966,555*</b>	<b>(2,170)*</b>	<b>224,839*</b>	<b>223,407*</b>	<b>1,228,170*</b>	<b>3,498,237</b>	<b>722,458</b>	<b>4,220,695</b>
Profit for the period (unaudited)	-	-	-	-	-	-	160,483	160,483	16,426	176,909
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	(159,079)	-	-	(159,079)	(25,820)	(184,899)
Total comprehensive income/(loss) for the period (unaudited)	-	-	-	-	(159,079)	-	160,483	1,404	(9,394)	(7,990)
Capital contributions from non-controlling shareholders (unaudited)	-	-	-	-	-	-	-	-	359	359
Final 2021 dividend declared (note 8)	-	(108,000)	-	-	-	-	-	(108,000)	-	(108,000)
Dividend paid to non-controlling shareholders (unaudited)	-	-	-	-	-	-	-	-	(5,475)	(5,475)
Transfer between reserves (unaudited)	-	-	-	-	-	18,377	(18,377)	-	-	-
At 30 June 2022 (unaudited)	<b>360,000</b>	<b>389,436*</b>	<b>966,555*</b>	<b>(2,170)*</b>	<b>65,760*</b>	<b>241,784*</b>	<b>1,370,276*</b>	<b>3,391,641</b>	<b>707,948</b>	<b>4,099,589</b>

\* These reserve accounts comprise the consolidated reserves of HK\$3,031,641,000 (unaudited) (31 December 2021: HK\$3,138,237,000 (audited)) in the condensed consolidated statement of financial position as at 30 June 2022.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Cash generated from operations	320,121	468,447
Corporate income tax paid in the People's Republic of China (the "PRC" or "Mainland China")	(47,816)	(111,086)
Net cash flows from operating activities	272,305	357,361
<b>INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(341,810)	(571,527)
Proceeds from disposal items of property, plant and equipment	10,174	24,611
Additions to other intangible assets	(3,606)	(725)
Additions of right-of-use assets	–	(5,129)
Additions of operating concessions	–	(1,438)
Advances or repayments to related companies and non-controlling shareholders, net	(18,088)	(4,702)
Decrease in restricted cash and pledged deposits	27,784	5,291
Interest received	6,297	8,742
Net cash flows used in investing activities	(319,249)	(544,877)
<b>FINANCING ACTIVITIES</b>		
Capital contributions from non-controlling shareholders	359	23,005
New bank and other borrowings	158,812	931,260
Repayments of bank and other borrowings	(139,668)	(409,808)
Principal portion of lease payments	(22,068)	(16,120)
Advances or repayments from related companies and non-controlling shareholders, net	6,959	6,554
Interest paid	(41,083)	(32,116)
Acquisition of non-controlling interests	–	(144,567)
Dividend paid to non-controlling shareholders	(5,475)	(11,504)
Net cash flows (used in)/from financing activities	(42,164)	346,704
Net (decrease)/increase in cash and cash equivalents	(89,108)	159,188
Cash and cash equivalents at beginning of period	1,688,903	1,725,283
Effect of foreign exchange rate changes, net	(52,298)	11,223
Cash and cash equivalents at end of period	1,547,497	1,895,694



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

## 1.1 CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

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

## 1.2 BASIS OF PREPARATION

This unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It is unaudited but has been reviewed by the audit committee of the Company (the "Audit Committee").

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 1.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3

Amendments to HKAS 16

Amendments to HKAS 37

*Annual Improvements to HKFRSs  
2018-2020*

*Reference to the Conceptual Framework*

*Property, Plant and Equipment: Proceeds before Intended Use*

*Onerous Contracts – Cost of Fulfilling a Contract*

Amendments to HKFRS 1, HKFRS 9, Illustrative Examples  
accompanying HKFRS 16, and HKAS 41

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

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



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

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

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

## 2. OPERATING SEGMENT INFORMATION

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

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



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 2. OPERATING SEGMENT INFORMATION (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that corporate and other unallocated income and expenses are excluded from such measurement.

	Environmental hygiene services for the six months ended 30 June		Hazardous waste treatment for the six months ended 30 June		Others for the six months ended 30 June		Total for the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Segment revenue (Note 3)</b>	<b>1,922,785</b>	1,636,624	<b>302,134</b>	341,022	<b>169,964</b>	133,230	<b>2,394,883</b>	2,110,876
Cost of sales	<b>(1,505,278)</b>	(1,188,760)	<b>(250,800)</b>	(204,265)	<b>(149,158)</b>	(99,088)	<b>(1,905,236)</b>	(1,492,113)
Gross profit	<b>417,507</b>	447,864	<b>51,334</b>	136,757	<b>20,806</b>	34,142	<b>489,647</b>	618,763
<b>Segment results</b>	<b>238,720</b>	325,372	<b>15,680</b>	105,577	<b>16,086</b>	31,864	<b>270,486</b>	462,813
Corporate and other unallocated income and expenses, net:								
– Interest income							<b>188</b>	378
– Other corporate gains							<b>811</b>	385
– Finance costs							<b>(12,207)</b>	(11,438)
– Corporate and other unallocated expenses							<b>(20,270)</b>	(44,889)
							<b>(31,478)</b>	(55,564)
Profit before tax							<b>239,008</b>	407,249
Income tax expense							<b>(62,099)</b>	(100,715)
Profit for the period							<b>176,909</b>	306,534
Segmental profit for the period	<b>180,694</b>	238,111	<b>11,967</b>	98,156	<b>15,726</b>	25,831	<b>208,387</b>	362,098
Non-controlling interests	<b>(23,746)</b>	(45,052)	<b>14,896</b>	(3,200)	<b>(7,576)</b>	(9,749)	<b>(16,426)</b>	(58,001)
Owners of the parent	<b>156,948</b>	193,059	<b>26,863</b>	94,956	<b>8,150</b>	16,082	<b>191,961</b>	304,097
Corporate and other unallocated income and expenses, net							<b>(31,478)</b>	(55,564)
							<b>160,483</b>	248,533
<b>Other segment information:</b>								
Share of profit of a joint venture	-	-	<b>2,289</b>	3,308	-	-	<b>2,289</b>	3,308
Impairment losses recognised in the statement of profit or loss, net	<b>2,799</b>	3,613	<b>6,207</b>	1,589	-	-	<b>9,006</b>	5,202
Depreciation and amortisation	<b>161,224</b>	160,037	<b>62,307</b>	53,215	<b>3,543</b>	4,609	<b>227,074</b>	217,861
Capital expenditure*	<b>386,790</b>	146,105	<b>154,448</b>	213,835	<b>1,606</b>	2,923	<b>542,844</b>	362,863

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





# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 2. OPERATING SEGMENT INFORMATION *(Continued)*

### Geographical information

- (a) All of the Group's revenue from external customers was derived from the Group's operations in the People's Republic of China (the "PRC") during the period.
- (b) Over 90% of the Group's non-current assets were derived from the Group's operations in the PRC during the period.

### Information about major customers

During the six months ended 30 June 2022, no revenue from transactions with a single external customer contributed over 10% of the total revenue of the Group.

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

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

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

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



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 3. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

Notes:

(a) Disaggregated revenue information

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

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

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

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

## 4. PROFIT BEFORE TAX

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

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

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

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



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 5. FINANCE COSTS

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

## 6. INCOME TAX EXPENSE

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

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

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



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the six months ended 30 June 2022 attributable to shareholders of the Company and the weighted average number of ordinary shares of 3,600,000,000 in issue during the six months ended 30 June 2022 (six months ended 30 June 2021: 3,600,000,000).

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

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

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

## 8. DIVIDENDS

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

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

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's additions of property, plant and equipment amounted to HK\$514,134,000 (six months ended 30 June 2021: HK\$352,565,000). There were disposals of property, plant and equipment with an aggregate carrying amount of HK\$9,953,000 (six months ended 30 June 2021: HK\$23,365,000) during the six months ended 30 June 2022.



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivable under service concession arrangements represented the Group's unconditional right to receive cash or another financial asset for the construction and system installation service provided and/or the consideration paid and payable by the Group for the right to charge users of the public service under service concession arrangements. They were all unbilled as at 30 June 2022 and 31 December 2021. The receivables represented contract assets as the rights to considerations have yet to be unconditional.

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

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

## 11. TRADE AND BILLS RECEIVABLES

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

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



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 11. TRADE AND BILLS RECEIVABLES (Continued)

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

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

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

## 12. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

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

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

The Group does not hold any collateral over these balances.



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 13. TRADE AND BILLS PAYABLES

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

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

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

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

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

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



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 15. SHARE CAPITAL

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

## 16. CAPITAL COMMITMENTS

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

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Contracted, but not provided for:		
Construction in progress	133,723	413,852
Plant and machinery and motor vehicles	299,752	127,184
	<b>433,475</b>	541,036





# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 17. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Costs of technical services	(i)	1,808	1,904
Service income	(ii)	9,334	8,958
Sale of uniforms, machineries, and consumables	(iii)	1,829	112
Motor vehicles and equipment leasing expenses	(iv)	1,064	–

The above 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.

Notes:

- (i) During the periods ended 30 June 2022 and 2021, the Group engaged an associate of Beijing Enterprises Water Group Limited ("BEWG") to provide the waste treatment services, based on terms mutually agreed between the Group and the related party. For further details, please refer to the announcement of the Company dated 30 December 2021.
- (ii) The Group entered into an arrangement with the related company to provide entrusted operation service for this related party. For further details, please refer to the announcement of the Company dated 30 December 2021.
- (iii) The amount represented income generated from the sale of uniforms, machineries and consumables for the provision of environmental hygiene services to a related company of BEWG. For further details, please refer to the announcement of the Company dated 13 May 2022.
- (iv) The amount represented the leasing expenses of motor vehicles and equipment charged by a subsidiary of BEWG. For further details, please refer to the announcement of the Company dated 13 May 2022.
- (v) The Group leased two office buildings from subsidiaries of BEWG and lease terms ranging from 2 to 3 years. The rental fee were RMB160,000 and HK\$88,385 per month throughout the contract period. The financial impact of the lease was included in right-of-use assets and lease liabilities in the financial statements for the year/period ended 31 December 2021 and 30 June 2022.



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2022

## 17. RELATED PARTY TRANSACTIONS (Continued)

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

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Short term employee benefits	6,264	3,382
Post-employment benefits	99	102
Total compensation paid to key management personnel	6,363	3,484

Save as disclosed above, at 30 June 2022, the Group had no other material transactions and outstanding balances with related parties.

## 18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

## 19. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

These interim condensed consolidated financial information were approved and authorised for issue by the Board on 26 August 2022.



# DISCLOSEABLE INFORMATION

## DISCLOSURE OF INTERESTS

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

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (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 Director	Personal interests	Family interests	Corporate interests	Other interests	Interests pursuant to the AIC Agreement as under section 317 of the SFO (Note 5)	Total	Approximate percentage of the Company's Issued Share Capital (Note 1)
Mr. Zhou Min	–	–	341,016,000 (Note 2)	–	1,839,064,777	2,180,080,777	60.56%
Mr. Zhao Kexi	–	–	39,920,000 (Note 3)	–	2,140,160,777	2,180,080,777	60.56%
Mr. Li Haifeng	1,840,000	–	48,960,000 (Note 4)	–	2,129,280,777	2,180,080,777	60.56%
Mr. Zhou Chen	71,140,000	–	–	–	2,108,940,777	2,180,080,777	60.56%

Notes:

- The approximate percentage was calculated on the basis of 3,600,000,000 Shares in issue as at the date of this report.
- 341,016,000 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 be interested in the Shares of the Company held and deemed to be held by Star Colour under the SFO.
- 39,920,000 Shares were held by Long March Holdings Limited ("Long March"), a company wholly-owned by Mr. Zhao Kexi. Accordingly, Mr. Zhao Kexi is deemed to be interested in the Shares of the Company held and deemed to be held by Long March under the SFO.
- 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 be interested in the Shares of the Company held and deemed to be held by MIL under the SFO.
- On 10 May 2022, BEWG, Beijing Holdings Limited ("BHL"), Star Colour, Long March, Zihua Investments Limited ("Zihua"), MIL, Mr. Li Haifeng, Mr. Zhou Chen and ZGC International Holding Limited ("ZGC International") (together referred to as the "Concert Parties") entered into an acting in concert agreement (the "AIC Agreement"). Pursuant to the AIC Agreement, the Concert Parties are acting in concert in respect of their interests in the Company and therefore each of the Concert Parties is deemed to be interested in all the Shares held by them in aggregate under the SFO. As at 30 June 2022, the Concert Parties were interested in an aggregate of 2,180,080,777 Shares of the Company, representing approximately 60.56% of the issued Share capital of the Company. Details of the AIC Agreement are set out in the announcement of the Company dated 10 May 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.



## DISCLOSEABLE INFORMATION (CONTINUED)

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2022 were rights to acquire benefits by means of the acquisition of Shares or Shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 17 to the condensed consolidated financial information, no Directors nor a connected entity of a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2022.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, 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 shareholder	Capacity in which Shares are held	Number of Shares held	Approximate percentage of the Company's issued Share capital (Note 1)
BEWG	Beneficial owner	1,478,312,777	41.06%
	Interests pursuant to the AIC Agreement	701,768,000	19.50%
	Total	2,180,080,777	60.56%
Beijing Enterprises Environmental Construction Limited ("BE Environmental") (Note 2)	Interest of controlled corporation	2,180,080,777	60.56%
Beijing Enterprises Holdings Limited ("BEHL") (Note 3)	Interest of controlled corporation	2,180,080,777	60.56%
Modern Orient Limited ("MOL") (Note 4)	Interest of controlled corporation	2,180,080,777	60.56%
Beijing Enterprises Investments Limited ("BEIL") (Note 4)	Interest of controlled corporation	2,180,080,777	60.56%
Beijing Enterprises Group (BVI) Company Limited ("BE Group (BVI)") (Note 5)	Interest of controlled corporation	2,180,080,777	60.56%



## DISCLOSEABLE INFORMATION (CONTINUED)

Name of shareholder	Capacity in which Shares are held	Number of Shares held	Approximate percentage of the Company's issued Share capital (Note 1)
BHL (Note 6)	Beneficial owner	40,000,000	1.11%
	Interests pursuant to the AIC Agreement	2,140,080,777	59.45%
	Total	2,180,080,777	60.56%
Beijing Enterprises Group Company Limited ("BEGCL") (Note 7)	Interest of controlled corporation	2,180,080,777	60.56%
Star Colour (Note 8)	Beneficial owner	341,016,000	9.47%
	Interests pursuant to the AIC Agreement	1,839,064,777	51.09%
	Total	2,180,080,777	60.56%
Long March (Note 9)	Beneficial owner	39,920,000	1.11%
	Interests pursuant to the AIC Agreement	2,140,160,777	59.45%
	Total	2,180,080,777	60.56%
MIL (Note 10)	Beneficial owner	48,960,000	1.36%
	Interests pursuant to the AIC Agreement	2,131,120,777	59.20%
	Total	2,180,080,777	60.56%
Zhihua (Note 11)	Beneficial owner	97,920,000	2.72%
	Interests pursuant to the AIC Agreement	2,082,160,777	57.84%
	Total	2,180,080,777	60.56%
Hu Xiaoyong (Note 11)	Interest of controlled corporation	2,180,080,777	60.56%
ZGC International (Note 12)	Beneficial owner	60,972,000	1.69%
	Interests pursuant to the AIC Agreement	2,119,108,777	58.87%
	Total	2,180,080,777	60.56%
Zhongguancun Development Group Co., Ltd. ("ZGCDG") (Note 12)	Interest of controlled corporation	2,180,080,777	60.56%
Beijing Zhongguancun Development & Investment Center ("ZGCDIC") (Note 12)	Interest of controlled corporation	2,180,080,777	60.56%



## DISCLOSEABLE INFORMATION (CONTINUED)

### 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. Certain percentage figures included in this table have been subject to rounding adjustments.
2. The interest disclosed comprises the Shares of the Company held or deemed to be held by BEWG. BEWG is directly held as to approximately 40.66% by BE Environmental. Accordingly, BE Environmental is deemed to be interested in the Shares of the Company held or deemed to be held by BEWG under the SFO.
3. The interest disclosed comprises the Shares of the Company held or deemed to be held by BEWG and such Shares are deemed to be interested by BE Environmental as detailed in Note 2 above. BE Environmental is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the Shares of the Company held or deemed to be held by BEWG (through BE Environmental) under the SFO.
4. The interest disclosed comprises the Shares of the Company held or deemed to be held by BEWG and such Shares are deemed to be interested by BEHL as detailed in Note 3 above. MOL, a wholly-owned subsidiary of BEIL, and BEIL are the immediate shareholders of BEHL and collectively hold approximately 20.91% of the issued share capital of BEHL. Each of MOL and BEIL is deemed to be interested in the Shares of the Company held or deemed to be held by BEWG (through BEHL) under the SFO.
5. The interest disclosed comprises the Shares of the Company held or deemed to be held by BEWG and such Shares are deemed to be interested by BEHL, BEIL and MOL as detailed in Notes 3 and 4 above. BEHL is held directly as to approximately 41.09% by BE Group (BVI). MOL is a wholly-owned subsidiary of BEIL, which is in turn directly held as to approximately 72.72% by BE Group (BVI). Accordingly, BE Group (BVI) is deemed to be interested in the Shares of the Company held or deemed to be held by BEWG (through BEIL, MOL and BEHL) under the SFO.
6. 40,000,000 Shares were held by BHL. Pursuant to the AIC Agreement, BHL, together with the Concert Parties, were interested in an aggregate of 2,180,080,777 Shares of the Company. BHL is wholly-owned by BEGCL.
7. The interest disclosed comprises the Shares of the Company held or deemed to be held by BEWG and such Shares are deemed to be interested by BE Group (BVI) and BHL as detailed in Notes 5 and 6 above. Both BE Group (BVI) and BHL are wholly-owned subsidiaries of BEGCL. Accordingly, BEGCL is deemed to be interested in the Shares of the Company held or deemed to be held by BEWG (through BE Group (BVI) and BHL) under the SFO.
8. 341,016,000 Shares were held by Star Colour. Pursuant to the AIC Agreement, Star Colour, together with the Concert Parties, were interested in an aggregate of 2,180,080,777 Shares of the Company. Star Colour is wholly-owned by Mr. Zhou Min, an executive Director of the Company. Accordingly, Mr. Zhou Min is deemed to be interested in the Shares of the Company held or deemed to be held by Star Colour under the SFO.
9. 39,920,000 Shares were held by Long March. Pursuant to the AIC Agreement, Long March, together with the Concert Parties, were interested in an aggregate of 2,180,080,777 Shares of the Company. Long March is wholly-owned by Mr. Zhao Kexi, an executive Director of the Company. Accordingly, Mr. Zhao Kexi is deemed to be interested in the Shares of the Company held or deemed to be held by Long March under the SFO.
10. 48,960,000 Shares were held by MIL. Pursuant to the AIC Agreement, MIL, together with the Concert Parties, were interested in an aggregate of 2,180,080,777 Shares of the Company. MIL is wholly-owned by Mr. Li Haifeng, an executive Director of the Company. Accordingly, Mr. Li Haifeng is deemed to be interested in the Shares of the Company held or deemed to be held by MIL under the SFO.
11. 97,920,000 Shares were held by Zhihua. Pursuant to the AIC Agreement, Zhihua, together with the Concert Parties, were interested in an aggregate of 2,180,080,777 Shares of the Company. Zhihua is wholly-owned by Mr. Hu Xiaoyong. Accordingly, Mr. Hu Xiaoyong is deemed to be interested in the Shares of Company held or deemed to be held by Zhihua under the SFO.
12. 60,972,000 Shares were held by ZGC International. Pursuant to the AIC Agreement, ZGC International, together with the Concert Parties, were interested in an aggregate of 2,180,080,777 Shares of the Company. ZGC International is a wholly-owned subsidiary of ZGCDG, and ZGCDG is held directly as to approximately 45.37% by ZGCDIC. Accordingly, each of ZGCDG and ZGCDIC is deemed to be interested in the Shares of the Company held or deemed to be held by ZGC International under the SFO.

Save as disclosed above, as at 30 June 2022, 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.



## DISCLOSEABLE INFORMATION (CONTINUED)

### BOARD CHANGES AND CHANGES IN INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

During the period under review and up to the date of this report, Board changes of the Company are as follows:

- Mr. Zhou Min was redesignated from a non-executive Director to an executive Director of the Company on 1 August 2022;
- Mr. Li Haifeng was redesignated from a non-executive Director to an executive Director of the Company on 1 August 2022; and
- Mr. Li Li was redesignated from a non-executive Director to an executive Director of the Company on 1 August 2022.

Change in information of Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

- Mr. Li Li, an executive Director of the Company, became an executive director of Shandong Hi-Speed New Energy Group Limited (山高新能源集團有限公司) (formerly known as Beijing Enterprises Clean Energy Group Limited (北控清潔能源集團有限公司)), a service provider engaged in a photovoltaic power business, listed on the Main Board of the Stock Exchange (stock code: 1250) on 19 May 2022.

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

### SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this report, details of the facility agreements (the "Facility Agreement(s)") with covenants relating to specific performance of the controlling shareholder which constituted disclosure obligations pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Facility Agreement(s)	Nature of the Facility Agreement(s)	Aggregate amount (HK\$' million)	Final Maturity
16 September 2020	Term loan facility with a bank	400	15 September 2023
16 June 2021	Term loan facility with a bank	300	15 June 2024
2 September 2021	Term loan facility with a bank	200	1 September 2024
3 December 2021	Term loan facility with a bank	150	2 December 2022

According to the respective terms and conditions of the Facility Agreement(s), breach of one of the following specific performance obligations will constitute an event of default:

- BEGCL is not or ceases to be effectively wholly-owned, supervised and/or controlled by The People's Government of Beijing Municipality\* (北京市人民政府國有資產監督管理委員會);*
- BEGCL (and/or as may be through its subsidiary or subsidiaries) collectively ceases to be BEHL indirect single largest shareholder with at least 40% effective interest in BEHL's issued ordinary share capital;*
- BEHL (and/or as may be through its subsidiary or subsidiaries) collectively ceases to be BEWG indirect single largest shareholder with at least 35% effective interest in BEWG's issued ordinary share capital; and*
- BEWG (and/or as may be through its subsidiary or subsidiaries) collectively ceases to be the Company indirect single largest shareholder with at least 25% effective interest in the Company's issued ordinary Share capital.*

\* For identification purposes only



## DISCLOSEABLE INFORMATION (CONTINUED)

If any of the above events of default occur, the bank(s) may, by notice to the Company, cancel the Facility Agreement(s), and/or declare all outstanding amounts together with interest and all others amounts accrued to be immediately due and payable and/or payable on demand.

### INTERIM DIVIDEND

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

### CLOSURES OF REGISTER OF MEMBERS

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2022.





# CORPORATE GOVERNANCE

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Company strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders' interests. In the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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 the Directors, all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2022.

## AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive Directors namely Mr. Wu Tak Kong (the chairman of the Audit Committee), Mr. Orr Ka Yeung, Kevin and Dr. Du Huanzheng. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control of the Company. The interim results of the Group for the six months ended 30 June 2022 have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of the Listing Rules have been complied with, in the preparation of relevant results, and sufficient disclosures have been made.





**北控城市資源集團有限公司**

BEIJING ENTERPRISES URBAN RESOURCES GROUP LIMITED