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

(Incorporated in the Cayman Islands with limited liability)

Stock code : 3718

2023
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS
Mr. Zhou Min *(Chairman)*
Mr. Zhao Kexi *(Chief Executive Officer)*
Mr. Li Haifeng
Mr. Li Li
Mr. Zhou Chen

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Orr Ka Yeung, Kevin *(retired on 7 June 2023)*
Mr. Wu Tak Kong
Dr. Du Huanzheng
Ms. Judith Yu *(appointed on 7 June 2023)*

AUDIT COMMITTEE

Mr. Wu Tak Kong *(Chairman)*
Mr. Orr Ka Yeung, Kevin *(retired on 7 June 2023)*
Dr. Du Huanzheng
Ms. Judith Yu *(appointed on 7 June 2023)*

NOMINATION COMMITTEE

Mr. Zhou Min *(Chairman)*
Mr. Orr Ka Yeung, Kevin *(retired on 7 June 2023)*
Mr. Wu Tak Kong
Ms. Judith Yu *(appointed on 7 June 2023)*

REMUNERATION COMMITTEE

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

SUSTAINABILITY COMMITTEE

Mr. Zhao Kexi *(Chairman)*
Mr. Zhou Chen
Mr. Wu Tak Kong

COMPANY SECRETARY

Mr. Zhang Xiangyu

STOCK CODE

3718

WEBSITE

www.beur.net.cn
www.becs.cc

INVESTOR RELATIONS CONTACT

Email Address: ir@beurg.com

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 6706-07
67th Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN MAINLAND CHINA

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

In Mainland China:
Bank of Communications Co., Ltd
Industrial and Commercial Bank of China

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS:

During 2023, the overall economy recovered and improved in the PRC, but the external environment remained complicated and fluctuated; the economic recovery was sluggish in a process of wavelike development and tortuous progress. The effective demand was insufficient; various work remained arduous and certain industries faced excessive production capacity and intensified competition, thereby bringing various challenges to the development of relevant businesses. Beijing Enterprises Urban Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") followed the requirements of national economic policies and the trends of industrial development, adhered to high-quality and sustainable development strategies and paths, consolidated the fundamentals and deepened the effectiveness, guaranteeing steady operation and sustainable development.

BUSINESS REVIEW

The Group recorded a revenue of approximately RMB5,057.6 million for the year ended 31 December 2023 (the "Reporting Period"), representing a year-on-year increase of approximately 18.9%. Profit for the period attributable to shareholders of the Company increased by approximately 19.3% year-on-year to approximately RMB284.7 million. The Directors of the Company passed a resolution to propose the distribution of a final cash dividend of HK1.5 cents per share (HK2.7 cents per share in total for the year) to shareholders to reciprocate their long-standing trust and support to the Group.

The 2023 National Conference on Ecological and Environmental Protection emphasized that building a beautiful China is an important target for building a modern socialist country in all respects and the coming five years will be critical to the building of a beautiful China. China will strive to make remarkable achievements in promoting the significant improvement of urban and rural living environment and building a beautiful China and support high-quality development with a high-quality ecological environment. The Group kept an insight on market trends, actively and steadily promoted business development, improved service quality and built a new pattern of comprehensive urban and rural operation services with urban services as the foundation, supported by property services with the coordinated development of non-hazardous treatment and recycling of hazardous waste.

In 2023, the NDRC and other ministries released relevant systems on improving bidding transactions, which reduced the costs of bidding transactions, standardized the application of credit appraisal on the bidding sector and improved the transparency and efficiency of government procurements. During the Reporting Period, the Group implemented the regional expansion strategy, established sales management and process management systems, won the bidding for 52 urban service projects and strived to carry out comprehensive urban service businesses covering city cleaning and hygiene, green maintenance, municipal appearance maintenance and management. It actively promoted the publicity of waste sorting and green and low-carbon lifestyles, facilitated the application and the digital and intelligent transformation of new energy vehicles and became a trusted comprehensive service provider to work with in the process of building a beautiful environment. During the Reporting Period, the Group was awarded the "Top 10 Influential Environmental Hygiene Enterprises of the Year", the "Top 10 Cleaning Service Brands", the "Most Influential Enterprise in Urban Environmental Hygiene Operation and Maintenance" and other honors and further enhanced its influence in the industry.

With the continuous increase in urban service market scale, the competition in the urban service industry was intensified and the requirements on customer management were increasingly raised. However, the overall refined management of the industry was not high with weak foundations and it faced pressures on cost reduction, efficiency improvement, transformation and upgrading. The Group actively and effectively responded to various risks and challenges and always gave priority to service quality in the operation and management of projects. Through the quality supervision mechanism, it significantly improved the quality of project operation and promoted the standardized management of internal control on quality. Through the releasing of the Administrative Measures for the Full Lifecycle of Customers and other systems and in combination of the online CRM customer management system, the Company established online and offline preliminary appraisal systems on customer management and further improved customer satisfaction.

After the reshuffling and elimination in the hazardous waste industry with excessive capacity and declining disposal fees, the market of the non-hazardous and comprehensive disposal of hazardous waste has generally reached the bottom and the industry has returned to rational development. The competition in the industry has transformed from the scale-based competition through exogenous expansion into the quality-based competition through endogenous upgrading. The Group withstood the pressures of the severe situation, actively stabilized high-quality customers, continuously promoted refined operation management, saved costs through brainstorming and sought profit growth points with various parties. During the Reporting Period, the Group's two hazardous waste disposal projects in Zigong, Sichuan and Suining, Jiangsu were successfully put into production. It also strengthened scientific research and technological innovation, actively facilitated the study and implementation of small-scaled recycling projects such as the organic silicon project in Pingfu, Shandong, facilitated the coordinated development of non-hazardous disposal and recycling and strived for the quality development of the hazardous waste business.

COMPANY CONTROL

In 2023, various industries comprehensively implemented the new development concept, focused on promoting high-quality development and coordinately encouraged carbon and pollution reduction, the expansion of green areas and growth. With the development of urbanization and the improvement of standards on ecological and environmental governance and urban environmental management, the urban service market scale kept expanding with a broad market prospect. Meanwhile, the urban service industry was gradually transitioning from the fragmentation and low-end in the early stage to integration, mechanization, refinement, intelligence, and a new round of marketization represented by "new energy equipment renewal", "property management city" and "big city butler", thereby promoting industrial upgrading and the transformation of the development model.

CHAIRMAN'S STATEMENT

To respond to the rapid business development and the market environment with intensified competition, the Group actively implemented the organizational reform and developed flat organizations. Through streamlining the organizational structure, the Group further improved the organizational efficiency, developed professional teams, focused on professional operation and standardized management and deeply developed front-line businesses to consolidate the foundations and shore up weaknesses. For all links from sales management and business operation to quality management, customer management and risk management and control, the Group, guided by the "institutionalization", "procedure-based" and "results-based" orientation, further strengthened internal control management, reviewed operation procedures, developed standardized management systems and mechanisms and created closed-loop and comprehensive management and control models on the quality of services under all scenarios. In terms of the urban services business, through the establishment of labor efficiency analysis systems and vehicle efficiency analysis models, the Group optimized weak links and strengthened management to improve the overall efficiency. In terms of the hazardous waste business, the Group implemented costs reduction and efficiency improvement based on local conditions through enhancing the technical proficiency in all businesses, the market exploration capability and the production organizational capability.

During the Reporting Period, the Group improved the hierarchical risk management and control and the safety and environment dual control system on the identification and rectification of hidden hazards, continuously enhanced various emergency systems, deeply carried out emergency exercises, diversified the methods and contents of trainings, improved the establishment of safety and environment teams and carried out special rectifications and key control on risks with material influence. It also strengthened coordinated management on all aspects to safeguard the long-term and stable business development.

The 2024 Government Work Report clearly proposed to deeply facilitate the innovative development of the digital economy, promote the digitalization of the service sector and build smart cities and digital villages. The national Plan for the Overall Layout of Building a Digital China pointed out to advance the deep five-in-one integration of economic construction, political construction, cultural construction, social construction and ecological construction and build the green and intelligent digital ecological civilization. During the Reporting Period, the Group followed the emerging wave of digitalization, continuously advanced the digital construction and completed the construction of the second phase of the intelligent service system. Leveraging on the big city butler project, it launched the smart city management platform, completed the construction and achieved the steady operation of the first phase of the information system of supply chains. It promoted online operation of customer management, human resources management, office system and other systems to empower business development and established scientific and effective management on the basis of truthful and complete business data to improve business levels and systematic governance capabilities.

SUSTAINABLE DEVELOPMENT

The Group is committed to achieving the vision of "being a reliable, industry-leading and comprehensive service provider for digital and intelligent urban operation" and continuously enhances environmental, social and governance management. In terms of the urban services business, the Group actively promoted "1+N" innovative services and urban big city butler service models, proactively practiced the mission of "making living environment better" and improved the quality of the living environment of urban and rural residents. It followed the requirements of relevant authorities on initiating the pilot on increasing the usage of new energy vehicles in public sectors and its development trends, boosted the use of new energy operation vehicles and mechanical operation equipment, strengthened the inspection and supervision on the emission of pollutants to improve the utilization rate of resources through digital and intelligent applications. In terms of the hazardous waste business, the Group adopted innovative plans to continuously iterate the process and technology on hazardous waste disposal, explored the possibility of the recycling of hazardous waste and completed the approval of the recycling of pulps and residues and vigorously carried out the innovative development of small recycling coordination projects. Through the implementation of distributed photovoltaic and waste heat power generation and the use of steam, it actively promoted the transformation of the energy use structure and made contributions to the green and sustainable development of the society.

The Group always actively pays attention to the demands of all stakeholders. Adhering to the customer-oriented operation purpose, it strengthened the standardized management of customer services. Through the establishment of information systems on supply chains, the Group implemented strict access mechanisms, strengthened the full lifecycle management and further enhanced communications with suppliers to facilitate win-win cooperation.

The Group implemented the core value of "Being committed, Creating value, and Sharing with others" and the "people-oriented" principle and continuously advanced the standardized construction of positions and the system of position ranking. It completed the talent inventory of the Group, promoted the improvement of the capability on regional organization and upgraded the development plan on its talent academy based on the supply demand under the talent strategy of the Group. The Group cares about the physical and mental health of employees, enhances safety trainings for frontline employees and organizes staff care activities with the focus on the "Festival of Sanitation Workers". It carries out visits on holidays, implements assistance policies, sets honorary models and enhances the sense of belonging of employees.

CHAIRMAN'S STATEMENT

OUTLOOK

The 2024 Government Work Report proposed to improve the scientific and technological innovation capability, speed up in developing new quality productive forces, solidly promote regional coordinated development and the construction of new urbanization, deeply facilitate the construction of ecological civilization and green and low-carbon development and accelerate in building a beautiful China. The guidance of national policies will further promote the expansion of the urban services industry and provide historic development opportunities for the development of relevant businesses of the Group.

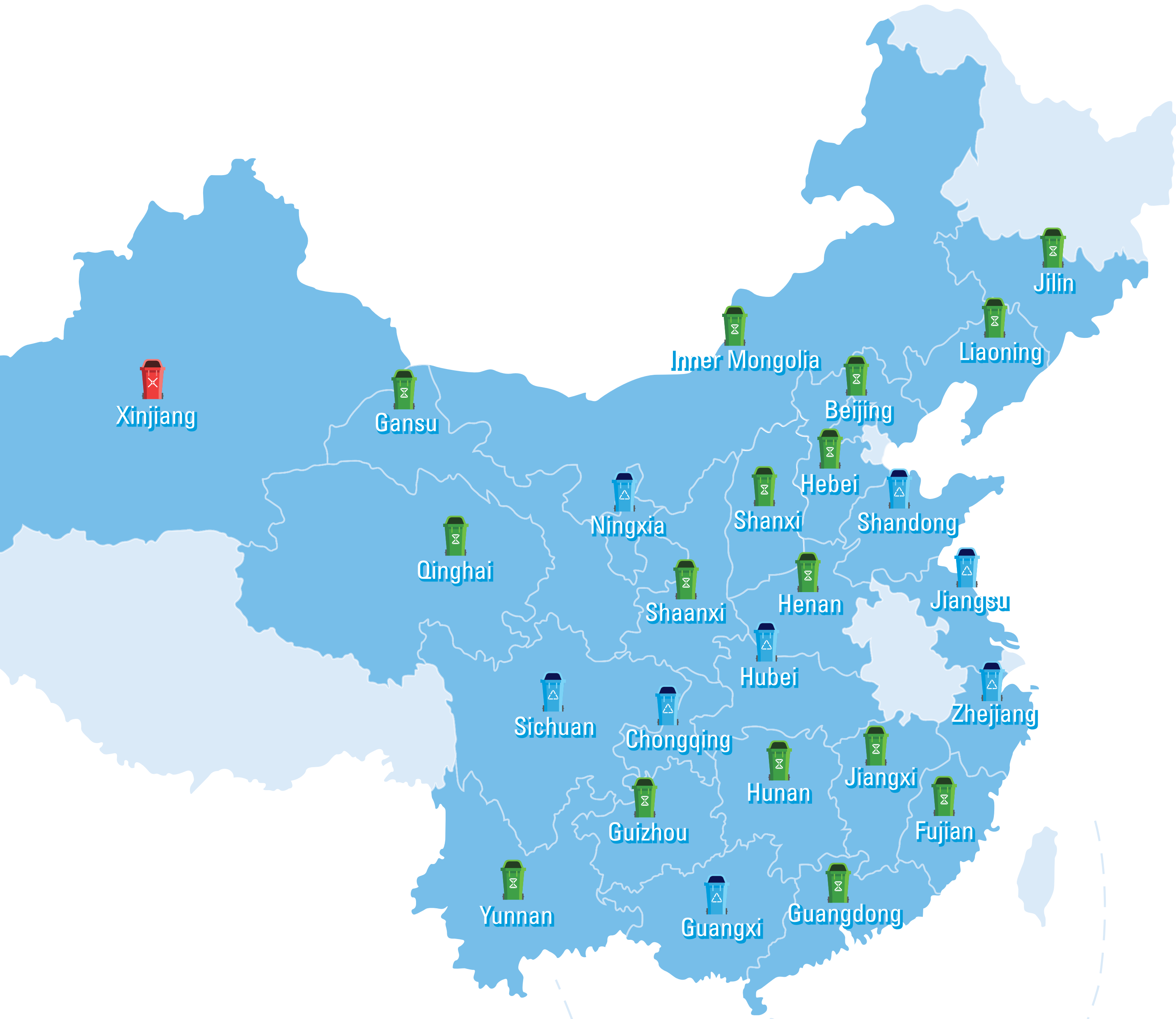
The Group will actively respond to the calls of policies, firmly follow market trends, focus on the construction of market systems under the regional exploration strategy and fully tap into the huge potential of coordinated development. It will focus on improving the quality of services, continuously improving refined operation and management level, strengthening the closed-loop customer management and solving the pain points and difficulties in development.

The Group will balance scale transcendence and value guidance, comprehensively promote the construction and application of digital and intelligent governance systems, comprehensively strengthen the building of teams and talent cultivation, fully improve safety and environmental management systems and consolidate the safety and environmental protection bottom line. It will comprehensively optimize the brand culture and enhance the influence in the industry, further improve the quality and efficiency, strengthen the core competitiveness, facilitate high-quality development with quality innovation and promote sustainable development with the green concept.

Finally, on behalf of the Board, I would like to express my sincerest gratitude to the shareholders for their trust in the Group, to the investors, customers, suppliers and partners for their strong support to the Group and to all employees and the management team of the Group for their efforts and contributions.

Zhou Min
Chairman of the Board
25 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS



Urban service and hazardous waste treatment projects cover **25** provinces, cities and autonomous regions

186 urban service projects contracted under the Group's management

Region where we have hazardous waste treatment business

Regions where we have both urban service and hazardous waste treatment business

Regions where we have urban services business

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

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

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

BUSINESS REVIEW

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

URBAN SERVICES

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

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

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

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

Operating Models	Number of projects
Operation & Maintenance ("**O&M**")	179
Public-Private-Partnership ("**PPP**")	
• Build-Operate-Transfer ("**BOT**")	3
• Transfer-Operate-Transfer	4
Total	186

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

HAZARDOUS WASTE TREATMENT BUSINESS

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

Disposal is mainly used for waste on which no other proper treatment methods are available. Hazard-free waste disposal aims to eliminate or minimize negative effect that hazardous waste may have on the environment. Landfill and incineration are two of the most common treatment methods for solid hazardous waste. For liquid hazardous waste, common treatment methods include flocculation and purification. Before being disposed of, hazardous waste needs to undergo certain pretreatment methods based on its nature. Common pretreatment methods include physical-chemical and solidification or stabilization.

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

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

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

OTHER BUSINESS

Other business represents waste electrical and electronic equipment treatment business. As of 31 December 2023, the Group had 2 revenue-generating waste electrical and electronic equipment treatment projects.

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

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

FINANCIAL PERFORMANCE

REVENUE AND GROSS PROFIT MARGIN

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

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

Urban services

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

- Urban Environmental Governance Services

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

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

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

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

- Construction services

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

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

Hazardous waste treatment services

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

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

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

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

- Hazard-free waste disposal projects

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

* *For identification purpose only*

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

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

- Recycling and reuse projects

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

Other income and gains, net

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

Administrative expenses

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

Other expenses, net

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

Finance costs

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

Income tax expense

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

Property, plant and equipment

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

Right-of-use-assets

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

Goodwill

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

Service concession arrangements

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

Trade and bills receivables

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

MANAGEMENT DISCUSSION AND ANALYSIS

Environmental decommissioning fee receivable

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

Prepayments, deposit and other receivables

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

Cash and cash equivalents

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

Trade and bills payables

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

Other payables and accruals

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

Interest-bearing bank borrowings

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

Liquidity and financial resources

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

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

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

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

Capital expenditure

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

FUTURE OUTLOOK

URBAN SERVICES

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

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

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

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

HAZARDOUS WASTE TREATMENT SERVICES

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

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

CHARGES ON THE GROUP'S ASSETS

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

(i) pledge over the Group's equity interest in subsidiaries and a non-controlling shareholder's equity interest in a subsidiary as at 31 December 2023 and 2022; and

(ii) pledges over certain of the Group's property, plant and equipment, right-of-use assets and operating concession rights as at 31 December 2023 and 2022.

The bill payables of the Group as at 31 December 2023 and 2022 are secured by pledge over certain of the Group's bank deposits.

Save as disclosed above, as at 31 December 2023, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities (2022: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Certain of the subsidiaries of the Group have their assets and liabilities denominated in HK$. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If HK$ appreciates/depreciates against RMB, the Group would record a(n) decrease/increase in the Group's net asset value. During the year ended 31 December 2023, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed 56,776 employees (31 December 2022: 51,367 employees) with total staff cost of approximately RMB2,474.4 million incurred for the year ended 31 December 2023 (year ended 31 December 2022: approximately RMB2,142.2 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There were no significant investments, material acquisition and disposal of subsidiaries by the Group for the year ended 31 December 2023.

IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REPORTING PERIOD

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

DIVIDEND

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting the environmental sustainability. The Group is committed to maintaining sustainable working practises and pays close attention to ensure all resources are efficiently utilised. The environmental policies and performance of the Company for the year ended 31 December 2023 containing the information required under Appendix C2 to the Listing Rules are set out in the Environmental, Social and Governance Report which will be published on the Stock Exchange's website and the Company's website at the same time as the publication of the annual report of the Company.

COMPLIANCE WITH REGULATIONS

The Group is not aware of any instances of material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap. 622), Listing Rules, and other applicable local laws and regulations in various jurisdictions during the year ended 31 December 2023.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners. The Company provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions. The Group understands that it is important to maintain good relationship with customers and provide the services in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the services so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner. The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2023.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Group strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Group. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders' interests. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for shareholders.

The Company adopted the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In the opinion of the Board, throughout the year ended 31 December 2023, the Company had complied with all the applicable code provisions set out in the CG Code. The Board has reviewed the practice at least annually and made appropriate changes if considered necessary.

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry to all the Directors, all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2023.

BOARD OF DIRECTORS

ROLE AND DELEGATION

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

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

COMPOSITION

The Board currently comprises the following Directors:

Executive Directors

Mr. Zhou Min *(Chairman)*
Mr. Zhao Kexi *(Chief Executive Officer)*
Mr. Li Haifeng
Mr. Li Li
Mr. Zhou Chen

Independent Non-executive Directors (the "INEDs")

Mr. Orr Ka Yeung, Kevin *(retired on 7 June 2023)*
Mr. Wu Tak Kong
Dr. Du Huanzheng
Ms. Judith Yu *(appointed on 7 June 2023)*

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

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" in this annual report. Save as disclosed in the section headed "Directors and Senior Management", there is no relationship (including financial, business, family or other material/relevant relationship) among the Board members.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The Company has received a written annual confirmation from each of the INEDs confirming his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the INEDs are independent.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

NOMINATION POLICY AND BOARD DIVERSITY

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

The Board has reviewed the structure, size, composition and diversity of the Board, the implementation and effectiveness of the Board Diversity Policy as well as the nomination and appointment procedure of directors during the year. As at the date of this Corporate Governance Report, there are eight Directors with extensive experience and/or professional backgrounds to formulate and give direction of the Group's corporate strategy and business development. The composition, experience and balance of skills on the Board are regularly reviewed by a core of members with longstanding and deep knowledge of the Group alongside new Directors who bring fresh perspectives and diverse experiences to the Board. The process for the nomination of Directors is led by the Nomination Committee. The Board considered that the Board was sufficiently diverse in terms of balance of skills and experience.

In term of gender diversity, Ms. Judith Yu has been appointed as an Independent Non-Executive Director on 7 June 2023. Ms. Yu possesses the knowledge, work experience and business competence required to serve as a Director of the Company. As such, the Board believes that she has sufficient time to devote to the Company, and will contribute experience and knowledge, and give valuable advice to the Company. On 5 June 2023, Ms. Yu obtained the legal advice from a firm of solicitors qualified to advise on Hong Kong law and has confirmed she understood his obligations as a director. Besides, the Company will continue to take steps to promote gender diversity at all levels of the Group, including but not limited to the Board and the senior management levels.

TENURE

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

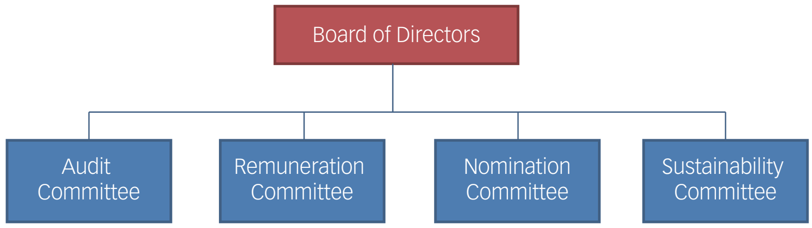
Upon appointment to the Board, each newly appointed Director would receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company. Meanwhile, each newly appointed Director would have obtained the legal advice from a firm of solicitors qualified to advise on Hong Kong law.

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

	Corporate Governance/Updates on laws, rules & regulations	
Name of Directors	**Read materials**	**Attended seminars/ briefings**
Executive Directors		
Mr. Zhou Min *(Chairman)*	✓	✓
Mr. Zhao Kexi *(Chief Executive Officer)*	✓	✓
Mr. Li Haifeng	✓	✓
Mr. Li Li	✓	✓
Mr. Zhou Chen	✓	✓
Independent non-executive Directors		
Mr. Wu Tak Kong	✓	✓
Dr. Du Huanzheng	✓	✓
Ms. Judith Yu	✓	✓

LIABILITY INSURANCE FOR THE DIRECTORS

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



BOARD COMMITTEES

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

AUDIT COMMITTEE

The Audit Committee comprises all three INEDs, namely Mr. Wu Tak Kong (chairman), Dr. Du Huanzheng.and Ms. Judith Yu. None of the members of the Audit Committee is a former partner of the auditor of the Company.

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

The Audit Committee had reviewed the Group's consolidated financial statements for the year ended 31 December 2023. Throughout the year ended 31 December 2023, four Audit Committee meetings were held to review and discuss, inter alia, with the management of the Company and the external auditors the accounting principles and practices adopted by the Group, the interim and annual results, as well as internal controls, risk factors and other financial reporting matters, during which all INEDs were present throughout the meeting. Details of the individual attendance records of each INED at the meetings are set out in the section headed "Board and Board Committees Meetings" in the Corporate Governance Report.

The Board agreed with the Audit Committee's proposal for selection and re-appointment of Messrs. Ernst & Young as the Company's external auditor for the year 2024. The recommendation will be put forward for shareholder's approval at the AGM of the Company.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2023, the Directors have selected suitable accounting policies and applied them consistently (except for the adoption of revised standards, amendments to standards and interpretation); adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditor, is set out on pages 65 to 69 of the "Independent Auditor's Report" in this annual report.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's auditor for the year ended 31 December 2023 are set out as follows:

Services rendered for the Group	Fee paid/ payable to RMB'000
Audit services:	
– annual financial statements	3,420
Non-audit services:	
– agreed-upon procedure engagement in relation to interim financial report	585
– taxation compliance	27
– other professional service	54
Total	4,086

REMUNERATION COMMITTEE

The Remuneration Committee comprises one executive Director and two INEDs, namely Mr. Zhao Kexi, Dr. Du Huanzheng (chairman) and Mr. Wu Tak Kong, respectively.

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

The primary duties of the Remuneration Committee include the following:

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

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

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

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

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

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

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

Throughout the year ended 31 December 2023, one Remuneration Committee meeting was held. Details of the individual attendance records of each member of the Remuneration Committee at the meeting are set out in the section headed "Board and Board Committees Meetings" in this Corporate Governance Report.

NOMINATION COMMITTEE

The Nomination Committee comprises one Executive Director and two INEDs, namely Mr. Zhou Min (chairman), Mr. Wu Tak Kong and Ms. Judith Yu, respectively.

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

Throughout the year ended 31 December 2023, one Nomination Committee was held. Details of the individual attendance records of each member of the Nomination Committee at the meeting are set out in the section headed "Board and Board Committees Meetings" in this Corporate Governance Report.

SUSTAINABILITY COMMITTEE

The Sustainability Committee comprises two Executive Directors and one INED, namely Mr. Zhao Kexi (chairman), Mr. Zhou Chen and Mr. Wu Tak Kong, respectively.

The primary duties of the Sustainability Committee are monitoring and reporting to the Board on the implementation and effectiveness of the environmental, social and governance ("ESG") management. It also prioritises the material ESG issues, evaluates the risks and opportunity due to climate change, review and monitors the achievement of environmental targets and evaluates the impacts of the ESG performances of the Company on its stakeholders, including employees, shareholders, customers, suppliers, business associates and local communities.

Throughout the year ended 31 December 2023, one Sustainability Committee was held. Details of the individual attendance records of each member of the Sustainability Committee at the meeting are set out in the section headed "Board and Board Committees Meetings" in this Corporate Governance Report.

BOARD AND BOARD COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee, the Sustainability Committee and the annual general meeting held for the year ended 31 December 2023 are set out in the following table:

	Meetings attended/held					
Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee	Sustainability Committee	Annual General Meeting
Executive Directors						
Mr. Zhou Min *(Chairman)*	4/4	–	1/1	–	–	1/1
Mr. Zhao Kexi *(Chief Executive Officer)*	4/4	–	–	1/1	1/1	1/1
Mr. Li Haifeng	4/4	–	–	–	–	1/1
Mr. Li Li	4/4	–	–	–	–	1/1
Mr. Zhou Chen	4/4	–	–	–	1/1	1/1
Independent non-executive Directors						
Mr. Orr Ka Yeung, Kevin *(retired on 7 June 2023)*	3/3	2/2	1/1	–	–	1/1
Mr. Wu Tak Kong	4/4	4/4	1/1	1/1	1/1	1/1
Dr. Du Huanzheng	4/4	4/4	–	1/1	–	1/1
Ms. Judith Yu *(appointed on 7 June 2023)*	1/1	2/2	–	–	–	–

The Board is committed to ensuring independent views and input are available for the Board's discussion. Throughout the year ended 31 December 2023, the Chairman held one meeting with the INEDs without the presence of the executive Directors. Regular Board meetings of each year are scheduled in advance to facilitate maximum attendance of Directors. In addition, any Director may make request to the Chairman of the Board in writing to request for independent professional advice to assist the relevant Director to discharge his duties. During the year, the Board has reviewed the implementation and effectiveness of such mechanism to ensuring the availability of independent view to the Board.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Group continuously integrated Environmental, Social and Governance risk ("ESG risk") management to all areas of its business operations. Therefore, ESG risk assessment was carried out this year to actively manage environmental and social risks within its sphere of influence.

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

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

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

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

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

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

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

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

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

In addition, the Company may engage independent consultant (the "Independent Consultant") to conduct review of the internal control system and risk management of the Group as and when necessary.

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

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

WHISTLEBLOWING POLICY AND ANTI-CORRUPTION AND ANTI-BRIBERY POLICY

The Group has strictly abided by relevant laws and regulations such as the Anti-Unfair Competition Law of the People's Republic of China《中華人民共和國反不正當競爭法》and Anti-Money Laundering Law of the People's Republic of China《中華人民共和國反洗錢法》, and has adopted the Measures for the Administration of Rewards and Punishments in Auditing and Supervision《審計監察獎懲管理辦法》, Anti-fraud Management Regulation《反舞弊管理制度》, Supervision and Audit Regulation《監察審計制度》, and Code of Business Conduct《商業行為準則》, which standardize the work procedures of audit and supervision and prohibit misconducts such as abusing power, insider trading, money laundering and conflicts of interest.

The Group had no judicial litigation cases involving corruption, bribery, money laundering, insider trading and conflicts of interest throughout the year of 2023.

INTEGRITY RISK PREVENTION AND CONTROL

The Group has developed and published the Code of Business Conduct《商業行為準則》, which emphasizes on strengthening the management of ethics and integrity, bribery and benefits, gifts and entertainment, insider trading and fraud, etc. The responsible personnel in contravention of relevant provisions will be liable to punishments such as warnings, recording of demerit, demotion, dismissal, termination of labor contracts in accordance with the Administration of Rewards and Punishments in Auditing and Supervision《審計監察獎懲管理辦法》, and corresponding monetary penalties will be imposed according to the remuneration system. If a crime is constituted, the case shall be referred to the judicial authorities for prosecution in accordance with the law, devoting joint efforts to create a clean and fair working environment.

To avoid damage to the Company due to conflicts of interest, the Group strictly prevents integrity risks in all aspects of daily operations, develops a list of prohibitive regulations in important production levels such as procurement and capital transfer, and manages key personnel through interest declarations. During the year, we focused on conducting anti-fraud inspections against project companies. We conducted four unannounced audits in total, carried out in-depth communication with project companies after the inspections, formulated rectification measures, and supervised the implementation of such rectification measures.

The detail information regarding the Whistleblowing Policy and Anti-Corruption and Anti-Bribery policies are set out in the Company's "2023 Environmental, Social and Governance Report".

INSIDE INFORMATION

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than Directors) for the year ended 31 December 2023 is as follows:

Remuneration band	Number of individuals
HK$1,000,001 to HK$1,500,000	3

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix D2 of the Listing Rules are set out in notes 8 and 9 to the financial statements in this annual report, respectively.

COMPANY SECRETARY

Mr. Zhang Xiangyu, the company secretary of the Company (the "Company Secretary"), is a full time employee of the Company. Throughout the year ended 31 December 2023, Mr. Zhang has complied with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

CONVENING AN EXTRAORDINARY GENERAL MEETING (THE "EGM") BY SHAREHOLDERS

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders of the Company may at any time send their enquiries to the Board for the attention of the Company Secretary via email (ir@beurg.com) or directed to the Company's head office and principal place of business in Hong Kong at Units 6706-6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders of the Company may also make enquiries with the Board at general meetings of the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

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

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

2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at Units 6706-6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

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

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

INVESTOR RELATIONS

COMMUNICATION WITH SHAREHOLDERS

The Group also has a proactive investor relations programme that keeps stakeholders abreast of the Group's latest development and discloses relevant information to the public in a timely manner. Information in relation to the Group is disseminated to Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents, together with the latest corporate information and news, are also made available on the Company's website. During the year ended 31 December 2023 and up to the date of this Corporate Governance Report, the management of the Group held various meetings with potential investors and participated in investor and press conferences. The Company's general meetings are valuable forums for the Board to communicate directly with Shareholders.

The Board has reviewed the implementation and effectiveness of the channels of communication with the shareholders and other stakeholders during the year and considered that the related policies were able to facilitate an open and ongoing communication with the Shareholders on fair disclosure basis.

CONSTITUTIONAL DOCUMENTS

The Company adopted the the Second Amended and Restated Memorandum and Articles of Association of the Company on 7 June 2023. Throughout the year ended 31 December 2023, there was no other significant change in the constitutional documents. The Articles of Association is available on both the websites of the Company and the Stock Exchange.

DIVIDEND POLICY

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhou Min (周敏), aged 60, was appointed as our Director on 26 March 2019 and was re-designated as our non-executive Director and chairman on 9 April 2019. On 1 August 2022, Mr. Zhou was re-designated as an executive Director and continued to act as chairman.

Mr. Zhou is primarily responsible for leading our Board, ensuring the effective operation of our Board and providing business strategy and management advice to our Board. From May 2001 to May 2014, Mr. Zhou served as the executive director and chief financial officer of BE Zhongkecheng Environmental where he was primarily responsible for its financial management. Since May 2014, Mr. Zhou has been the chairman of BE Zhongkecheng Environmental where he has been primarily responsible for its overall management. From August 2008 to March 2016, Mr. Zhou served as an executive director of Beijing Enterprises Water Group limited ("BEWG") and was primarily responsible for overseeing its daily operations, corporate development, administrative management, capital operations and risk control. Since March 2016, Mr. Zhou has been an executive director and the chief executive officer of BEWG where he has been primarily responsible for its overall operations management.

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhao Kexi (趙克喜), aged 48, was appointed as our Director on 26 March 2019 and was re-designated as our executive Director on 9 April 2019. Mr. Zhao is also our president and Chief Executive Officer. He is primarily responsible for the overall management of our Group. Since December 2016, Mr. Zhao has been serving as the chairman of the board and general manager of Qingdao Beijing Enterprises Resources and Environmental Technology Limited* (青島北控資源與環境技術有限公司), an indirectly owned subsidiary of the Company principally engaged in construction and operation of urban garbage recycling and utilization facilities.

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

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

Mr. Li Haifeng (李海楓), aged 53, was appointed as our Director on 26 March 2019 and was re-designated as our non-executive Director on 9 April 2019. On 1 August 2022, Mr. Li was re-designated as an executive Director. Mr. Li is primarily responsible for providing business strategy and management advice to our Board.

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

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

From April 2010 to April 2013, Mr. Li served as an independent non-executive director of Simsen International Corporation Limited (now known as Huarong International Financial Holdings Limited (華融國際金融控股有限公司)), a company principally engaged in securities, corporate finance and asset management and listed on the Main Board of the Stock Exchange (stock code: 993), where he was primarily responsible for providing independent advice to the board. From June 2011 to 1 February 2023, Mr. Li act as chairman and an executive director of Carry Wealth Holdings Limited (恆富控股有限公司), a garment manufacturer listed on the Main Board of the Stock Exchange (stock code: 643), where he has been primarily responsible for providing overall strategy to the company.

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Li (李力), aged 58, was appointed as our Director on 26 March 2019 and was re-designated as our non-executive Director on 9 April 2019. On 1 August 2022, Mr. Li was re-designated as an executive Director. Mr. Li is primarily responsible for providing business strategy and management advice to our Board.

Mr. Li Li was a senior engineer, a technical quality director and vice president of the First Design & Research Institute (now known as First Design and Research Institute M1 China Co., Ltd.). Mr. Li Li served as various key positions of 北京桑德環保集團有限公司 (Beijing Sound Environmental Group Company Limited*) from 2001 to 2010.

Mr. Li joined BEWG in October 2010. In February 2014, Mr. Li started to serve as an executive director at BEWG and became an executive president in March 2016. Mr. Li Li is also an executive director of Shandong Hi-Speed New Energy Group Limited (formerly known as Beijing Enterprises Clean Energy Group Limited) (Stock Code: 1250).

Mr. Li Li graduated from Xian Jiaotong University in mechanical engineering and PhD in engineering at School of Environment, Tsinghua University. He is also a Senior Engineer and qualified Senior Project Manager.

Mr. Zhou Chen (周塵), aged 33, was appointed as our executive Director on September 1, 2021. Mr. Zhou joined the Company in January 2021. He has been a director of three wholly-owned subsidiaries of the Company, namely Beijing Enterprises Urban Environmental Services Group Limited* (北控城市環境服務集團有限公司), Beijing Enterprises Urban City (Beijing) Environmental Technology Limited* (北控城市(北京)環境科技有限公司) and Beijing Enterprises Urban Environmental Resources (PRC) Limited* (北控城市環保資源投資(中國)有限公司). Mr. Zhou has been appointed as the president assistant of the Company since May 2021, where he has been primarily responsible for business development. Prior to joining the Company, from May 2013 to October 2016, Mr. Zhou worked at METROLINX, a public agency engaging in public transportation services for the Ontario government in Canada, as a supervisor of financial operations and special projects, and was responsible for the financial system product design, financial process and operational management matters of the electronic payment business under the agency. From August 2019 to December 2020, Mr. Zhou served as an overseas strategy and business manager of Jingdong Digits Technology Holding Co., Ltd. (京東數字科技控股股份有限公司) (now known as Jingdong Technology Holding Co., Ltd. (京東科技控股股份有限公司)), and was responsible for the overseas strategy of electronic payment and local business, business product strategy and business analysis.

Mr. Zhou obtained a Bachelor degree of Accounting, Finance and Economics (Honours) from the Rotman School of Management, University of Toronto in 2013, a Master degree of business administration from the School of Economics and Management of Tsinghua University in 2019, and a Master degree of Science from the MIT Sloan School of Management in 2019. Mr. Zhou was admitted as a member of the Chartered Professional Accountants of Canada (CPA Canada) and a member of the Canadian Institute of Chartered Accountants (CICA) in 2016. Mr. Zhou is the son of Mr. Zhou Min, the Chairman of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Tak Kong (胡德光), aged 58, was appointed as our independent non-executive Director on 19 December 2019.

From 1987 to 1997, Mr. Wu served as an auditor at accounting firms, served as an accountant and a company director of a company principally engaged in import and export business, an accountant of a clothing retail chain trading company where he was primarily responsible for general accounting management, supervision and administrative matters. From 1998, Mr. Wu served as an accounting manager of Kao Chemical (Hong Kong) Limited (花王化學(香港)有限公司), a Japanese company principally engaged in the trading and manufacturing of polyurethane for chemical products where he was primarily responsible for the management of the accounting departments in Hong Kong office and the factory in the PRC for eleven years. From 2009 to 2017, Mr. Wu was primarily responsible for accounting managements, financial compliance and audit matters in various companies. Mr. Wu currently serves as the chief executive officer in a business consultant company and principal of two audit firms.

Besides, Mr. Wu used to serve as a director in the following two companies. From November 2017 to January 2020, he served as an independent non-executive director of Ta Yang Group Holdings Limited (大洋集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1991). From November 2017 to June 2020, Mr. Wu served as a non-executive director of Kong Sun Holdings Limited (江山控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 295).

Mr. Wu was admitted as a member of the Association of Chartered Certified Accountants in October 2002. He has been a member of the Hong Kong Institute of Certified Public Accountants since March 2003 and obtained practising certificate in Hong Kong from May 2015. Furthermore, Mr. Wu was admitted as a member of the Hong Kong Securities and Investment Institute in July 2016 and a fellow member of the Hong Kong Institute of Directors in August 2018 respectively. Mr. Wu received his master's degree in business administration from The Hong Kong Polytechnic University with credit in October 2008.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Du Huanzheng (杜歡政), aged 61, was appointed as our independent non-executive Director on 19 December 2019. From 1984 to August 2013, Dr. Du successively served as a lecturer, associate professor and professor presenting economics, circular economy and statistics related at Jiaxing College (嘉興學院) and became its vice president in April 2003. Since July 2014, Dr. Du has been serving as a professor at Tongji University (同濟大學) where he was primarily responsible for circular economy related teaching and research work. Since March 2018, Dr. Du has been a doctoral supervisor and professor of United Nations Environment Program – Tongji Institute of Environment for Sustainable Development (聯合國環境署 — 同濟大學環境與可持續發展學院) at Tongji University, where he has been primarily responsible for circular economy related courses teaching and research work. Dr. Du is also a director of Circular Economy Research Institute (循環經濟研究所) at Tongji University.

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

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

DIRECTORS AND SENIOR MANAGEMENT

Ms. Judith YU (楊莉珊), aged 57, was appointed as our independent non-executive Director on 7 June 2023.

Ms. Judith Yu is a Member of The 14th National Committee of the Chinese People's Political Consultative Conference (CPPCC) and currently a Standing Committee Member of The 14th Beijing Municipal Committee of the Chinese People's Political Consultative Conference (CPPCC). She is also an Executive Vice President of HK Association for the Promotion of Peaceful Reunification of China since 2018 and a Vice President of Hong Kong Beijing Association since 2015.

She is now a Chairman of Hong Kong Chamber of Commerce in China (HKCCC), which is based in Beijing, facilitating the economic and cultural exchange between Hong Kong and Mainland China. As the CEO and Executive Director of HKI China Land Limited, Ms. Judith Yu plays an instrumental role in leading the corporation to excel in the industry sector of real estate development since 2005.

Ms. Yu has a passion for youth development. With her extensive experience serving the community as a Director of Child Development Matching Fund (CDMF) and a Vice Chairman of Child Development Initiative Alliance (CDIA) as well as a Steering Committee Member of Child Development Fund (CDF), she is poised to extend her commitment to nurturing the youth generation as a respected Chairman of Quality Mentorship Network (QMN).

As a responsible citizen, Ms. Yu had actively engaged in various social service and charitable activities to serve Hong Kong. She is fully committed and dedicated to the well-being of the local community as a Chief Executive Vice President of Kowloon East Association Limited.

Ms. Yu had been graduated from University of Warwick with a Bachelor Degree in Science in Management in 1989.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chen Zhen (陳震), aged 54, has been our vice president since September 2017 and has been primarily responsible for the overall management of hazardous waste treatment service segment of our Group.

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

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

Ms. Yip Man Ki (葉文奇), aged 43, has been appointed as the Chief Financial Officer since December 2022, where she is primarily responsible for the supervision and management of finance of our Group.

Ms. Yip currently serves as the group senior finance manager and the financial controller (overseas division) of BEWG. Ms. Yip has extensive experience in financial management, corporate finance, and mergers and acquisitions. She also has extensive auditing experience from her previous employment with Grant Thornton Hong Kong Limited.

Ms. Yip has been a fellow member of the Association of Chartered Certified Accountants since October 2010 and obtained a bachelor degree of business administration with a major in accounting from The Hong Kong University of Science and Technology in October 2002.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 65 to 167.

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

BUSINESS REVIEW

A discussion and review on the business activities of the Group, including an indication of likely future development in the Group's businesses and an analysis of the Group's performance during the year ended 31 December 2023 using financial key performance indicators are provided in the "Chairman's Statement" set out on pages 4 to 8 and sections headed "Financial Highlights", "Business Review" and "Financial Performance" under "Management Discussion and Analysis" set out on pages 9 to 22 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 40 to the financial statements. Description of principal risks and uncertainties that the Group may be facing, environmental policies and performance of the Group, compliance with relevant laws and regulations which have a significant impact on the Group and relationship with stakeholders are set out in "Management Discussion and Analysis" on pages 9 to 22 of this annual report. These discussions form part of this report.

CLOSURE OF REGISTER OF MEMBERS

FOR ANNUAL GENERAL MEETING

The register of members will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Wednesday, 5 June 2024, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 30 May 2024.

FOR ENTITLEMENT TO PROPOSED FINAL DIVIDEND

The register of members will be closed from Wednesday, 12 June 2024 to Friday, 14 June 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the Proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 11 June 2024. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the Proposed Final Dividend will be paid on or around Friday, 5 July 2024.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, the assets, liabilities and non-controlling interests of the Group as at 31 December 2023 and for the last four financial years, as extracted from the published audited financial statements, as restated as appropriate, is set out on page 168 of this annual report. This summary does not form part of the audited financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2023 are set out in note 1 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

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

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution to the shareholders amounted to approximately RMB207.1 million.

DONATIONS

During the year ended 31 December 2023, the Group made charitable and other donations amounting to RMB596,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, purchases attributable to the Group's five largest suppliers and revenue from the Group's five largest customers accounted for approximately 18% and 16% of the Group's total purchases and total revenue, respectively.

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

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Zhou Min *(Chairman)*
Mr. Zhao Kexi *(Chief Executive Officer)*
Mr. Li Haifeng
Mr. Li Li
Mr. Zhou Chen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Orr Ka Yeung, Kevin *(retired on 7 June 2023)*
Mr. Wu Tak Kong
Dr. Du Huanzheng
Ms. Judith Yu *(appointed on 7 June 2023)*

In accordance with articles 83(3) and 84 of the Articles of Association of the Company, Mr. Zhou Min, Mr. Zhou Chen and Mr. Wu Tak Kong shall retire by rotation at the AGM and, being eligible, offer themselves for re-election.

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

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

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

– Mr. Orr Ka Yeung, Kevin retired as an independent non-executive director of the Company on 7 June 2023;

– Ms. Judith Yu was appointed as an independent non-executive director of the Company on 7 June 2023;

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out on pages 41 to 48 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' REMUNERATION

The Directors' fees are subject to the approval of the Company's shareholders at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the Remuneration Committee. Save as disclosed in "Directors' and Chief Executive's Remuneration" in note 8 to the financial statements, during the year ended 31 December 2023, none of the Directors waived his emoluments nor has agreed to waive his emoluments for the year. Further details of the Company's Directors' remuneration are set out in note 8 to the financial statements.

Further details of the Remuneration Committee are set out in the Corporate Governance Report on page 32 of this annual report.

EMOLUMENT POLICY

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

EMPLOYEE BENEFITS

Defined contribution plans

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

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

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

During the year ended 31 December 2023, total contributions to the Group's pension scheme contributions charged to profit or loss amounted to approximately RMB259,260,000 (2022: RMB216,652,000).

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty. The Company has taken out and maintained Directors' and officers' liability insurance which provides appropriate cover for, among others, Directors and officers of the Company throughout the year ended 31 December 2023.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code as set out in Appendix C3 of the Listing Rules, were as follows:

LONG POSITIONS IN THE SHARES AND/OR UNDERLYING SHARES OF THE COMPANY

Name of Directors	Personal interests	Family interests	Corporate interests	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	–	–	490,476,000 *(Note 2)*	1,949,504,777	2,439,980,777	67.78%
Mr. Zhao Kexi	–	–	39,920,000 *(Note 3)*	2,400,060,777	2,439,980,777	67.78%
Mr. Li Haifeng	1,840,000	–	48,960,000 *(Note 4)*	2,389,180,777	2,439,980,777	67.78%
Mr. Zhou Chen	71,140,000	–	110,440,000 *(Note 6)*	2,258,400,777	2,439,980,777	67.78%

Notes:

1. The approximate percentage was calculated on the basis of 3,600,000,000 Shares in issue as at 31 December 2023.

2. 490,476,000 Shares were held by Star Colour Investments Limited ("Star Colour"), a company wholly-owned by Mr. Zhou Min. Accordingly, Mr. Zhou Min is deemed to have interests in those Shares of Star Colour under the SFO.

3. 39,920,000 Shares were held by Long March Holdings Limited ("Long March"), a company wholly-owned by Mr. Zhao Kexi. Accordingly, Mr. Zhao Kexi is deemed to have interests in those Shares of Long March under the SFO.

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

REPORT OF THE DIRECTORS

5. On 10 May 2022, BEWG, Beijing Holdings Limited ("BHL"), Star Colour, Long March, Zhihua Investments Limited ("Zhihua"), 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 31 December 2023, the Concert Parties were interested in an aggregate of 2,439,980,777 Shares of the Company, representing approximately 67.78% 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.

6. 110,440,000 Shares were held by Faith Access Holdings Limited ("Faith Access"), a company wholly-owned by Mr. Zhou Chen. Accordingly, Mr. Zhou Chen is deemed to have interests in those Shares of Faith Access under the SFO.

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2023 were rights to acquire benefits by means of the acquisition of shares or underlying shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in notes 8 and 37 to the financial statements, no Directors nor a connected entity of a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors nor their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules during the year ended 31 December 2023.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND/OR UNDERLYING SHARES

As at 31 December 2023, so far as was known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company as disclosed above) had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

LONG POSITION IN THE SHARES AND/OR UNDERLYING SHARES OF THE COMPANY

Name of shareholders	Capacity in which Shares are held	Number of Shares held	Approximate percentage of the Company's issued Share capital *(Note 1)*
BEWG	Beneficial owner	1,478,312,777	41.064%
	Interests pursuant to the AIC Agreement	961,668,000	26.713%
	Total:	2,439,980,777	67.78%
Beijing Enterprises Environmental Construction Limited ("BE Environmental") *(Note 2)*	Interest of controlled corporation	2,439,980,777	67.78%
Beijing Enterprises Holdings Limited ("BEHL") *(Note 3)*	Interest of controlled corporation	2,439,980,777	67.78%
Modern Orient Limited ("MOL") *(Note 4)*	Interest of controlled corporation	2,439,980,777	67.78%
Beijing Enterprises Investments Limited ("BEIL") *(Note 4)*	Interest of controlled corporation	2,439,980,777	67.78%
Beijing Enterprises Group (BVI) Company Limited ("BE Group (BVI)") *(Note 5)*	Interest of controlled corporation	2,439,980,777	67.78%
BHL *(Note 6)*	Beneficial owner	40,000,000	1.11%
	Interests pursuant to the AIC Agreement	2,399,980,777	66.67%
	Total:	2,439,980,777	67.78%

REPORT OF THE DIRECTORS

Name of shareholders	Capacity in which Shares are held	Number of Shares held	Approximate percentage of the Company's issued Share capital *(Note 1)*
Beijing Enterprises Group Company Limited ("BEGCL") *(Note 7)*	Interest of controlled corporation	2,439,980,777	67.78%
Star Colour *(Note 8)*	Beneficial owner	490,476,000	13.624%
	Interests pursuant to the AIC Agreement	1,949,504,777	54.152%
	Total:	2,439,980,777	67.78%
Long March *(Note 9)*	Beneficial owner	39,920,000	1.11%
	Interests pursuant to the AIC Agreement	2,400,060,777	66.67%
	Total:	2,439,980,777	67.78%
MIL *(Note 10)*	Beneficial owner	48,960,000	1.36%
	Interests pursuant to the AIC Agreement	2,391,020,777	66.42%
	Total:	2,439,980,777	67.78%
Zhihua Investments Limited *(Note 11)*	Beneficial owner	97,920,000	2.72%
	Interests pursuant to the AIC Agreement	2,342,060,777	65.06%
	Total:	2,439,980,777	67.78%
Hu Xiaoyong *(Note 11)*	Interest of controlled corporation	2,439,980,777	67.78%
ZGC International *(Note 12)*	Beneficial owner	60,972,000	1.70%
	Interests pursuant to the AIC Agreement	2,379,008,777	66.08%
	Total:	2,439,980,777	67.78%
Zhongguancun Development Group Co., Ltd. ("ZGCDG") *(Note 12)*	Interest of controlled corporation	2,439,980,777	67.78%

Notes:

1. The approximate percentage was calculated on the basis of 3,600,000,000 Shares in issue as at 31 December 2023. 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 41.03% 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 20.93% 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 41.12% 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 2,439,980,777 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. 490,476,000 Shares were held by Star Colour. Pursuant to the AIC Agreement, Star Colour, together with the Concert Parties, were interested in an aggregate of 2,439,980,777 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 2,439,980,777 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 2,439,980,777 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 2,439,980,777 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 2,439,980,777 Shares of the Company. ZGC International is a wholly-owned subsidiary of ZGCDG. Accordingly, ZGCDG 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 31 December 2023, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year ended 31 December 2023:

1. FRAMEWORK OPERATING AND MANAGEMENT AGREEMENT

On 30 December 2021, Guangxi Guigang Beijing Enterprises Water Environmental Sanitation Services Limited* (廣西貴港北控水務環衛服務有限公司) ("Guigang Sanitation"), an indirectly wholly-owned subsidiary of the Company entered into a framework operating and management agreement (the "Framework Operating and Management Agreement") with Guangxi Guigang Beijing Enterprises Water Environmental Protection Limited* (廣西貴港北控水務環保有限公司) ("Guigang Environmental Protection"), which is indirectly owned as to 54.5% by BEWG as the single largest shareholder, pursuant to which Guigang Sanitation agreed to provide operating and management services in relation to the domestic waste treatment and transfer in certain areas of Guigang city, Guangxi Zhuang autonomous region, for a term commencing from 1 January 2022 to 31 December 2024. The annual cap amounts for the transactions under the Framework Operating and Management Agreement for the years ended 31 December 2022, 31 December 2023 and 31 December 2024 are RMB20.2 million, RMB21.2 million and RMB22.2 million, respectively.

2. TECHNICAL SERVICE AGREEMENT

On 30 December 2021, Beijing Enterprises Urban Services (Quannan) Limited* (北控城市服務(全南)有限公司) ("BE Quannan"), an indirectly wholly-owned subsidiary of the Company entered into a technical service agreement (the "Technical Service Agreement") with Quannan BE Well-Point Environmental Science & Technology Limited* (全南縣北控威保特環境科技有限公司) ("Quannan BE Well-Point"), which is indirectly owned as to 35.6% by BEWG, pursuant to which Quannan BE Well-Point agreed to provide technical services including landfill services and relevant maintenance of landfill facilities to BE Quannan at Quannan county, Jiangxi province, for a term commencing from 1 January 2022 to 31 December 2024. The annual cap amounts for the transactions under the Technical Service Agreement for the years ended 31 December 2022, 31 December 2023, and 31 December 2024 are RMB4.0 million, RMB4.0 million and RMB4.0 million, respectively.

3. PROCUREMENT AGREEMENT

On 13 May 2022, Hubei Pingfu Environmental Technology Limited* (湖北平福環境科技有限公司) ("Hubei Pingfu"), an indirectly wholly-owned subsidiary of the Company entered into a procurement agreement (the "Procurement Agreement") with Kunming Wuhua Beijing Enterprises Environmental Industry Development Company Limited* (昆明五華北控環境產業發展有限公司) ("Kunming Wuhua"), which is indirectly owned as to 70% by BEWG, pursuant to which Kunming Wuhua agreed to procure electric trike vehicles and consumables in relation to urban services from Hubei Pingfu, for a term commencing from 13 May 2022 to 31 December 2024. The annual cap amounts for the transactions under the Procurement Agreement for the years ended 31 December 2022, 31 December 2023 and 31 December 2024 are RMB8.2 million, RMB6.1 million and RMB6.1 million, respectively.

4. VEHICLE AND EQUIPMENT LEASING FRAMEWORK AGREEMENT

On 13 May 2022, Beijing Enterprises Urban Environmental Services Group Limited* (北控城市環境服務集團有限公司), an indirectly wholly-owned subsidiary of the Company entered into a vehicle and equipment leasing framework agreement (the "Vehicle and Equipment Leasing Framework Agreement") with Kunming Wuhua, which is indirectly owned as to 70% by BEWG, pursuant to which Kunming Wuhua agreed to lease vehicles and equipment to BE Environmental and its subsidiaries for a term commencing from 13 May 2022 to 31 December 2024. The annual cap amounts for the transactions under the Vehicle and Equipment Leasing Framework Agreement for the years ended 31 December 2022, 31 December 2023 and 31 December 2024 are RMB4.0 million, RMB3.1 million and RMB3.1 million, respectively.

Pursuant to Rule 14A.55 of the Listing Rules, the continuing connected transactions set out above have been reviewed by the INEDs, who confirmed that the aforesaid continuing connected transactions were entered into:

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

(b) on normal commercial terms; and

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

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

Saved as disclosed above, there were no other transactions constituted connected transactions under the Listing Rules during the year ended 31 December 2023.

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 *(RMB' million)*	Final Maturity	Specific Performance Obligations
22 September 2022	Term loan facility with a bank	270	21 September 2025	(i), (ii), (iii), (iv)
23 November 2023	Term loan facility with a bank	370	22 November 2024	(i), (ii), (iii), (iv)

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:

(i) BEGCL is effectively wholly-owned, supervised and/or controlled by The People's Government of Beijing Municipality* (北京市人民政府);

(ii) BEGCL (and/or as may be through its subsidiary or subsidiaries) collectively is BEHL's indirect single largest shareholder with at least 40% effective interest in BEHL's issued ordinary share capital;

(iii) BEHL (and/or as may be through its subsidiary or subsidiaries) collectively is BEWG's indirect single largest shareholder with at least 35% effective interest in BEWG's issued ordinary share capital; and

(iv) BEWG (and/or as may be through its subsidiary or subsidiaries) collectively is the Company's indirect single largest shareholder with at least 30% effective interest in the Company's issued ordinary share capital.

If an event of default occurs, 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.

RELATED PARTY TRANSACTIONS

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

These mainly relate to the activities in the ordinary course of the Group's business and were negotiated on normal commercial terms and an arm's length basis. Certain transactions set out in note 37 to the financial statements are connected transactions or continuing connected transactions as defined under the Listing Rules and were exempted and complied with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.71 of the Listing Rules during the year ended 31 December 2023 are provided in the section headed "Continuing Connected Transactions and Connected Transactions" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. In the opinion of the Board, throughout the year ended 31 December 2023, the Company has complied with all the applicable code provisions of the CG Code as set out in Appendix C1 of the Listing Rules.

The Corporate Governance Report is set out in pages 23 to 40 of this annual report.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

Throughout the year ended 31 December 2023, the Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM for the re-appointment of Ernst & Young as auditor of the Company.

EVENT AFTER THE REPORTING PERIOD

There was no significant event affecting the Group after 31 December 2023 and up to the date of this annual report.

APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2023 were approved by the Board on 25 March 2024.

On behalf of the Board

Zhou Min
Chairman

25 March 2024

* *For identification purposes only*

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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

OPINION

We have audited the consolidated financial statements of Beijing Enterprises Urban Resources Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 167, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
The Group acquired certain companies engaging in urban service business and hazardous waste treatment business in prior years and an aggregate goodwill of approximately RMB248 million arose from these acquisitions. The recoverable amounts of the relevant businesses were determined based on the values in use of the Group's urban service business and hazardous waste treatment business, which were determined based on the future cash flows of the urban service business and the hazardous waste treatment business and discounted to the present values. The assumptions and methodologies used by the Group, including the waste treatment fee and service fee received, operating costs, capital expenditures, growth rates and discount rates, in the projected cash flows had significant effects on the determination of the recoverable amounts of the relevant cash-generating units. We identified the goodwill impairment assessment as a key audit matter because of the significant balance of goodwill and significant management judgement and estimation involved. Related disclosures are included in notes 2.4, 3 and 15 to the financial statements.	We involved our internal valuation specialists to assist us in evaluating the valuation models, assumptions and parameters used by the Group, giving particular attention to the estimated future revenues and results. Our procedures included testing the assumptions used in the cash flow forecast, assessing the accuracy of previous forecasts by comparing them with the current performance, and evaluating the growth and trading assumptions. We then assessed the disclosures on the impairment testing, and specifically the key assumptions that have the most significant effect on the determination of the recoverable amount of goodwill, such as the discount rates and growth rates.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. LEUNG, Yin.

Ernst & Young
Certified Public Accountants
Hong Kong

25 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
REVENUE	5	**5,057,613**	4,253,403
Cost of sales		**(4,034,791)**	(3,387,704)
Gross profit		**1,022,822**	865,699
Other income and gains, net	5	**97,021**	71,027
Administrative expenses		**(523,706)**	(408,301)
Selling and distribution expenses		**(26,279)**	(20,515)
Other expenses, net		**(30,937)**	(49,843)
Finance costs	7	**(113,978)**	(91,610)
Share of profits of joint ventures	18	**441**	1,244
PROFIT BEFORE TAX	6	**425,384**	367,701
Income tax expense	10	**(86,044)**	(96,205)
PROFIT FOR THE YEAR		**339,340**	271,496
Attributable to:			
Owners of the parent		**284,734**	238,579
Non-controlling interests		**54,606**	32,917
		339,340	271,496
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
– Translation of foreign operations		**(39,628)**	(130,126)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
– Translation of the Company		**31,794**	111,220
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		**(7,834)**	(18,906)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**331,506**	252,590
Attributable to:			
Owners of the parent		**276,900**	219,673
Non-controlling interests		**54,606**	32,917
		331,506	252,590
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	12		
Basic and diluted		**RMB7.91 cents**	RMB6.63 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)	2021 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	**2,609,776**	2,561,940	2,253,382
Right-of-use assets	14	**309,073**	341,242	340,621
Goodwill	15	**247,954**	247,954	247,954
Service concession arrangements	16	**482,197**	266,224	326,129
Other intangible assets	17	**15,962**	7,877	4,950
Prepayments, deposits and other receivables	22	**69,527**	62,598	67,656
Investments in joint ventures	18	**35,816**	34,530	33,287
Equity investment designated at fair value through other comprehensive income		**5,000**	5,000	5,000
Trade receivables	20	**–**	25,763	26,902
Deferred tax assets	29	**66,228**	57,500	32,442
Total non-current assets		**3,841,533**	3,610,628	3,338,323
CURRENT ASSETS				
Inventories	19	**54,117**	51,024	60,739
Service concession arrangements	16	**–**	17,508	19,400
Trade and bills receivables	20	**2,494,426**	1,967,160	1,268,553
Environmental decommissioning fees receivable	21	**367,497**	354,151	323,844
Other tax recoverable	26	**150,413**	113,788	144,546
Prepayments, deposits and other receivables	22	**125,989**	153,805	134,781
Restricted cash and pledged deposits	23	**12,068**	19,407	23,149
Cash and cash equivalents	23	**1,080,749**	1,408,854	1,384,900
Total current assets		**4,285,259**	4,085,697	3,359,912
TOTAL ASSETS		**8,126,792**	7,696,325	6,698,235
CURRENT LIABILITIES				
Trade and bills payables	24	**447,062**	341,556	225,478
Other payables and accruals	25	**809,990**	888,869	767,998
Other taxes payable	26	**33,340**	23,990	20,141
Income tax payable		**33,439**	51,290	22,334
Interest-bearing bank borrowings	27	**1,270,109**	766,727	330,453
Total current liabilities		**2,593,940**	2,072,432	1,366,404
NET CURRENT ASSETS		**1,691,319**	2,013,265	1,993,508
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,532,852**	5,623,893	5,331,831

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000 (Restated)	2021 RMB'000 (Restated)
NON-CURRENT LIABILITIES				
Deferred income	*28*	**160,092**	177,115	149,110
Other payables and accruals	*25*	**62,960**	99,207	82,259
Deferred tax liabilities	*29*	**42,190**	32,270	33,472
Interest-bearing bank borrowings	*27*	**1,292,030**	1,704,191	1,568,525
Provision for major overhauls	*30*	**123,532**	37,949	34,492
Total non-current liabilities		**1,680,804**	2,050,732	1,867,858
Net assets		**3,852,048**	3,573,161	3,463,973
EQUITY				
Equity attributable to owners of the parent				
Share capital	*31*	**317,405**	317,405	317,405
Reserves	*32*	**2,844,375**	2,640,355	2,546,380
		3,161,780	2,957,760	2,863,785
Non-controlling interests		**690,268**	615,401	600,188
Total equity		**3,852,048**	3,573,161	3,463,973

Zhao Kexi
Director

Zhou Chen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent										
	Issued capital RMB'000 (note 31)	Share premium RMB'000	Treasury Shares RMB'000 (note 32(e))	Capital reserve RMB'000 (note 32(d))	Merger reserve RMB'000 (note 32(b))	Exchange fluctuation reserve RMB'000	PRC reserve funds RMB'000 (note 32(c))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2021	317,405	443,166	–	854,699	(1,910)	(8,907)	190,105	1,066,221	2,860,779	600,188	3,460,967
Effect of adoption of amendments to HKAS 12 *(note 2.2(c))*	–	–	–	–	–	–	–	3,006	3,006	–	3,006
At 1 January 2022 (restated)	317,405	443,166	–	854,699	(1,910)	(8,907)	190,105	1,069,227	2,863,785	600,188	3,463,973
Profit for the year (restated)	–	–	–	–	–	–	–	238,579	238,579	32,917	271,496
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	(130,126)	–	–	(130,126)	–	(130,126)
Exchange differences on translation of the Company	–	–	–	–	–	111,220	–	–	111,220	–	111,220
Total comprehensive income/(loss) for the year (restated)	–	–	–	–	–	(18,906)	–	238,579	219,673	32,917	252,590
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	316	316
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(18,020)	(18,020)
Final 2021 dividend declared	–	(92,783)	–	–	–	–	–	–	(92,783)	–	(92,783)
Interim 2022 dividend declared	–	(32,915)	–	–	–	–	–	–	(32,915)	–	(32,915)
Transfer between reserves	–	–	–	–	–	–	46,284	(46,284)	–	–	–
At 31 December 2022 (restated)	317,405	317,468*	–*	854,699*	(1,910)*	(27,813)*	236,389*	1,261,522*	2,957,760	615,401	3,573,161
At 31 December 2022	317,405	317,468	–	854,699	(1,910)	(27,813)	236,389	1,258,766	2,955,004	615,401	3,570,405
Effect of adoption of amendments to HKAS 12 *(note 2.2(c))*	–	–	–	–	–	–	–	2,756	2,756	–	2,756
At 1 January 2023 (restated)	**317,405**	**317,468**	**–**	**854,699**	**(1,910)**	**(27,813)**	**236,389**	**1,261,522**	**2,957,760**	**615,401**	**3,573,161**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**284,734**	**284,734**	**54,606**	**339,340**
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(39,628)**	**–**	**–**	**(39,628)**	**–**	**(39,628)**
Exchange differences on translation of the Company	**–**	**–**	**–**	**–**	**–**	**31,794**	**–**	**–**	**31,794**	**–**	**31,794**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**(7,834)**	**–**	**284,734**	**276,900**	**54,606**	**331,506**
Capital contributions from non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**31,502**	**31,502**
Dividends paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,241)**	**(11,241)**
Final 2022 dividend declared	**–**	**(31,680)**	**–**	**–**	**–**	**–**	**–**	**–**	**(31,680)**	**–**	**(31,680)**
Interim 2023 dividend declared	**–**	**(39,744)**	**–**	**–**	**–**	**–**	**–**	**–**	**(39,744)**	**–**	**(39,744)**
Shares repurchased (note 31)	**–**	**–**	**(1,456)**	**–**	**–**	**–**	**–**	**–**	**(1,456)**	**–**	**(1,456)**
Transfer between reserves	**–**	**–**	**–**	**–**	**–**	**–**	**116,029**	**(116,029)**	**–**	**–**	**–**
At 31 December 2023	**317,405**	**246,044***	**(1,456)***	**854,699***	**(1,910)***	**(35,647)***	**352,418***	**1,430,227***	**3,161,780**	**690,268**	**3,852,048**

* These reserve accounts comprise the consolidated reserves of RMB2,844,375,000 (2022: RMB2,640,355,000 (restated)) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**425,384**	367,701
Adjustments for:			
Depreciation of property, plant and equipment	6	**446,191**	362,288
Depreciation of right-of-use assets	6	**42,396**	35,879
Amortisation of service concession arrangements	6	**66,654**	46,562
Amortisation of intangible assets	6	**1,950**	916
(Reversal of write-down)/write-down of inventories to net realisable value	6	**(1,901)**	6,396
Impairment losses of trade receivables, net	6	**11,000**	33,000
Interest income	5	**(16,564)**	(17,853)
Finance costs	7	**113,978**	91,610
Gain on disposal of items of property, plant and equipment, net	6	**(7,536)**	(2,972)
Loss/(gain) on the modification of leases	6	**347**	(2,620)
Share of profits of joint ventures		**(441)**	(1,244)
Provision for major overhauls	6	**2,466**	1,876
		1,083,924	921,539
(Increase)/decrease in inventories		**(1,192)**	3,319
(Increase)/decrease in contract assets		**(234,094)**	13,811
Decrease in receivables under service concession arrangements		**25,720**	15,676
Increase in trade and bills receivables		**(512,503)**	(730,468)
Increase in environmental decommissioning fees receivable		**(13,346)**	(30,307)
Decrease in prepayments, deposits and other receivables		**35,485**	13,729
Increase in trade and bills payables		**105,506**	116,078
Increase in other payables and accruals		**155,345**	160,856
(Decrease)/increase in deferred income		**(17,023)**	28,005
CASH GENERATED FROM OPERATIONS		**627,822**	512,238
Corporate income tax paid in the People's Republic of China (the "PRC" or "Chinese Mainland")		**(127,749)**	(93,509)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**500,073**	418,729
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(727,231)**	(674,295)
Proceeds from disposal of items of property, plant and equipment		**80,284**	12,674
Additions of right-of-use assets		**(22,423)**	–
Addition of operating concessions		**(56,745)**	(14,250)
Additions to other intangible assets	17	**(10,035)**	(3,843)
Proceeds from disposal of right-of-use assets		**22,250**	–
Capital injection to a joint venture		**(845)**	–
Decrease in restricted cash and pledged deposits		**7,339**	3,742
Interest received		**16,564**	17,853
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(690,842)**	(658,119)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Note	**2023** ***RMB'000***	2022 *RMB'000* (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from non-controlling shareholders		**31,502**	316
New bank borrowings		**1,913,223**	884,718
Repayment of bank borrowings		**(1,849,003)**	(381,841)
Shares repurchased		**(1,456)**	–
Principal portion of lease payments		**(37,336)**	(29,394)
Interest paid		**(107,197)**	(90,029)
Settlement of dividend payable in the prior year		**(10,011)**	–
Dividends paid		**(71,424)**	(115,687)
Dividends paid to non-controlling shareholders		**(11,241)**	(18,020)
Net cash flows (used in)/from financing activities		**(142,943)**	250,063
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(333,712)**	10,673
Cash and cash equivalents at beginning of year		**1,408,854**	1,384,900
Effect of foreign exchange rate changes, net		**5,607**	13,281
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,080,749**	1,408,854
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of cash flows	*23*	**1,080,749**	1,408,854

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE INFORMATION

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

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

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

INFORMATION ABOUT SUBSIDIARIES

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

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

1. CORPORATE INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises Urban Services (Renhua) Limited 北控城市服務(仁化)有限公司#	the PRC 1 June 2016	RMB4,000,000	–	100	Urban services
Beijing Enterprises (Tangshan) Urban Service Limited 北控(唐山)環境服務有限公司#	the PRC 28 July 2016	RMB6,000,000	–	100	Urban services
Beijing Enterprises (Cangzhou Hejian) Urban Service Limited 北控(滄州河間)環境服務有限公司#	the PRC 30 September 2016	RMB23,000,000	–	100	Urban services
Beijing Enterprises Urban Services (Nong'an) Limited 北控城市服務(農安)有限公司#	the PRC 11 November 2016	RMB14,500,000	–	100	Urban services
Beijing Enterprises Urban Services (Liquan) Limited 北控城市服務(禮泉)有限公司#	the PRC 16 November 2016	RMB9,000,000	–	100	Urban services
Beijing Enterprises Urban Services (Nanxiong) Limited 北控城市服務(南雄)有限公司#	the PRC 22 November 2016	RMB7,000,000	–	100	Urban services
Beijing Enterprises Urban Services (Zhongning) Limited 北控城市服務(中寧)有限公司@	the PRC 2 December 2016	RMB2,100,000	–	70	Urban services
Beijing Enterprises (Qinhuangdao) Urban Service Limited 北控城市服務(秦皇島)有限公司@	the PRC 27 December 2016	RMB18,000,000	–	90	Urban services
Beijing Enterprises Urban Services (Hohhot Saihan District) Limited 北控城市服務(呼和浩特市賽罕區)有限公司#	the PRC 11 April 2017	RMB25,000,000	–	100	Urban services
Beijing Enterprises Urban Services (Shaanxi) Limited 北控城市服務(陝西)有限公司#	the PRC 29 December 2016	RMB29,814,750	–	100	Urban services

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises Urban Services (Wugong) Limited 北控城市服務(武功)有限公司#	the PRC 16 March 2017	RMB3,642,400	–	100	Urban services
Beijing Enterprises (Tangshan) Urban Services Limited 北控(唐山)城市服務有限公司#	the PRC 30 March 2017	RMB5,000,000	–	100	Urban services
Beijing Enterprises Urban Services (Hohhot Huimin District) Limited 北控城市服務(呼和浩特市回民區)有限公司#	the PRC 11 April 2017	RMB17,000,000	–	100	Urban services
Beijing Enterprises Urban Investment (Sichuan) Limited 北控城市服務(四川)有限公司@	the PRC 18 May 2017	RMB20,000,000	–	60	Urban services
Beijing Enterprises Urban Investment (Guizhou) Limited 北控環境投資(貴州)有限公司@	the PRC 24 November 2016	RMB13,116,667	–	55	Urban services
Beijing Enterprises Urban Services (Xuyong) Limited 北控城市服務(敘永)有限公司@	the PRC 9 August 2017	RMB2,600,000	–	60	Urban services
Beijing Enterprises Urban Services (Dafang) Limited 北控城市服務(大方)有限公司#	the PRC 24 August 2017	RMB1,890,000	–	100	Urban services
Beijing Enterprises Urban Services (Wuchuan) Limited 北控城市服務(務川)有限公司#	the PRC 1 June 2017	RMB18,000,000	–	100	Urban services
Beijing Enterprises Urban Services (Keyouzhongqi) Limited 北控城市服務(科右中旗)有限公司#	the PRC 9 May 2017	RMB6,566,000	–	100	Urban services
Guangxi Guigang Beijing Enterprises Water Environmental Sanitation Services Limited 廣西貴港北控水務環衛服務有限公司#	the PRC 13 September 2013	RMB5,000,000	–	100	Urban services

1. CORPORATE INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangxi Guigang Beijing Enterprises Water Medical Waste Treatment Limited 廣西貴港北控水務醫療廢物處理有限公司#	the PRC 4 July 2014	RMB5,000,000	–	100	Hazardous waste treatment
Beijing Enterprises Urban City (Beijing) Environmental Technology Limited 北控城市(北京)環境科技有限公司#	the PRC 28 March 2017	RMB741,300,000	–	100	Provision of business management services
Jiangxi Beijing Enterprises Urban Mineral Co., Ltd. 江西北控城市礦產有限公司@	the PRC 21 February 2011	RMB30,000,000	–	59	Provision of waste electrical and electronic equipment treatment services
Shaanxi Beijing Enterprises Recycling Resources Limited 陝西北控再生資源有限公司@	the PRC 18 May 2010	RMB26,540,000	–	65	Provision of waste electrical and electronic equipment treatment services
Shandong Pingfu Environmental Services Limited 山東平福環境服務有限公司@	the PRC 25 January 2008	RMB47,280,000	–	65	Hazardous waste treatment
Beijing Enterprises Urban Services (Cangzhou Nanpi) Limited 北控城市服務(滄州南皮)有限公司#	the PRC 30 October 2017	RMB23,000,000	–	100	Urban services
Beijing Enterprises Urban Services (Qindu) Limited 北控城市服務(秦都)有限公司@	the PRC 31 October 2017	RMB15,000,000	–	75	Urban services
Ningjin Beijing Enterprises Urban Services Limited 寧津北控城市服務有限公司@	the PRC 9 August 2017	RMB3,000,000	–	51	Urban services
Beijing Enterprises Urban Services Chengde Limited 北控城市服務承德有限公司#	the PRC 10 November 2017	RMB15,000,000	–	100	Urban services

1. CORPORATE INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises Urban Services (Quannan) Limited 北控城市服務(全南)有限公司#	the PRC 17 November 2017	RMB50,000,000	–	100	Urban services
Beijing Enterprises Urban Services (Yongshou) Limited 北控城市服務(永壽)有限公司@	the PRC 31 October 2017	RMB5,025,000	–	75	Urban services
Beijing Enterprises Urban Services (Cangzhou Suning) Limited 北控城市服務(滄州肅寧)有限公司#	the PRC 4 January 2018	RMB8,000,000	–	100	Urban services
Beijing Enterprises Urban Services (Gansu) Limited 北控城市服務(甘肅)有限公司@	the PRC 15 December 2017	RMB8,650,000	–	60	Urban services
Weifang Beijing Enterprises Environmental Technical Limited 濰坊北控環境技術有限公司@	the PRC 13 June 2016	RMB77,400,000	–	33*	Hazardous waste treatment
Chongqing Beijing Enterprises Recycled Resources Limited 重慶北控再生資源有限公司@	the PRC 4 November 2010	RMB64,270,000	–	65	Waste electrical and electronic equipment treatment services
Beijing Enterprises Urban Environmental Resources (Yichang) Limited 北控城市環境資源(宜昌)有限公司#	the PRC 23 August 2017	RMB50,000,000	–	100	Solid waste disposal
Xinjiang Beijing Enterprises Environmental Resources Limited 新疆北控環境資源有限公司#	the PRC 24 February 2017	RMB13,232,000	–	100	Hazardous waste treatment
Beijing Enterprises Urban Services (Qingshuihe) Limited 北控城市服務(清水河)有限公司#	the PRC 8 January 2018	RMB5,200,000	–	100	Urban services

1. CORPORATE INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises Urban Services (Changwu) Limited 北控城市服務(長武)有限公司@	the PRC 23 January 2018	RMB4,000,000	–	80	Urban services
Beijing Enterprises Urban Services (Xiuwen) Limited 北控城市服務(修文)有限公司@	the PRC 2 February 2018	RMB10,000,000	–	55	Urban services
Beijing Enterprises Urban Services (Wugong) Town Sanitation Services Limited 北控城市服務(武功)城鎮環衛服務有限公司@	the PRC 3 May 2018	RMB3,850,000	–	70	Urban services
Beijing Enterprises Urban Services (Heshun) Limited 北控城市服務(和順)有限公司#	the PRC 9 May 2018	RMB3,950,000	–	100	Urban services
Beijing Enterprises Urban Services (Weicheng) Limited 北控城市服務(渭城)有限公司@	the PRC 2 May 2018	RMB14,000,000	–	70	Urban services
Beijing Enterprises Urban Services (Binzhou) Limited 北控城市服務(彬州)有限公司@	the PRC 3 May 2018	RMB9,800,000	–	70	Urban services
Beijing Enterprises Urban Services (Baoding Tangxian) Limited 北控城市服務(保定唐縣)有限公司#	the PRC 10 April 2018	RMB9,100,000	–	100	Urban services
Beijing Enterprises Urban Services (Lankao) Limited 北控城市服務(蘭考)有限公司#	the PRC 28 March 2018	RMB16,603,300	–	100	Urban services
Beijing Enterprises (Chuxiong) Urban Management Limited 北控(楚雄)環境管理有限公司#	the PRC 7 May 2018	RMB4,650,000	–	100	Urban services
Chuxiong Beijing Enterprises Urban Technology Limited 楚雄北控環保科技有限公司#	the PRC 10 May 2018	RMB4,960,000	–	100	Urban services

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31 December 2023

1. CORPORATE INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises Urban Services (Liquan) Town Sanitation Services Limited 北控城市服務(禮泉)城鎮環衛服務有限公司@	the PRC 3 May 2018	RMB10,000,000	–	60	Urban services
Beijing Enterprises Urban Services (Longnan) Limited 北控城市服務(隴南)有限公司@	the PRC 24 May 2018	RMB2,770,000	–	60	Urban services
Beijing Enterprises Urban Services (Yanhe) Limited 北控城市服務(沿河)有限公司@	the PRC 11 June 2018	RMB10,000,000	–	55	Urban services
Beijing Enterprises municipal and environmental services (Shenyang) Limited 北控(瀋陽)市容環境服務有限公司#	the PRC 10 July 2018	RMB50,000,000	–	100	Urban services
Beijing Enterprises Urban Services (Xintian) Limited 北控城市服務(新田)有限公司@	the PRC 26 July 2018	RMB20,000,000	–	90	Urban services
Beijing Enterprises (Tangshan) Municipal Construction Limited 北控(唐山)市政工程有限公司#	the PRC 3 August 2018	RMB5,000,000	–	100	Urban services
Beijing Enterprises Urban Services (Jixian) Limited 北控城市服務(吉縣)有限公司#	the PRC 8 August 2018	RMB5,700,000	–	100	Urban services
Beijing Enterprises Urban Services (Lintao) Limited 北控城市服務(臨洮)有限公司@	the PRC 23 August 2018	RMB12,780,000	–	60	Urban services
Qihexian Beijing Enterprises Urban Services Limited 齊河縣北控環境服務有限公司@	the PRC 19 September 2018	RMB100,000	–	36*	Urban services

1. CORPORATE INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guyuanxian Beijing Enterprises Qingdaofu Environmental Services Limited 沽源縣北控清道夫環境服務有限公司@	the PRC 7 November 2018	RMB6,000,000	–	51	Urban services
Beijing Enterprises Urban Services (Yongzhou) Limited 北控城市服務(永州)有限公司#	the PRC 13 November 2018	RMB1,935,000	–	100	Urban services
Beijing Enterprises Urban Services (Qingxu) Limited 北控城市服務(清徐)有限公司#	the PRC 14 September 2018	RMB17,600,000	–	100	Urban services
Yunnan Beijing Enterprises Environmental Service Limited ("Yunnan") 雲南北控環境服務有限公司@	the PRC 25 July 2017	RMB68,000,000	–	70	Urban services
Beijing Enterprises Urban Resources Exploitation (Zigong) Limited 北控城市環境資源開發(自貢)有限公司#	the PRC 2 April 2018	RMB100,000,000	–	100	Hazardous waste treatment
Ningxia Beijing Enterprises Ruiyuan Recycling Resources Limited ("Ningxia") 寧夏北控睿源再生資源有限公司@	the PRC 27 January 2015	RMB120,000,000	–	61	Hazardous waste treatment
Hubei Pingfu Environmental Technology Limited 湖北平福環境科技有限公司#	the PRC 3 July 2018	RMB20,000,000	–	100	Hazardous waste treatment
Xinjiang Xiyu Beijing Enterprises Environmental Construction Limited 新疆西域北控環境工程有限公司@	the PRC 8 December 2017	RMB17,500,000	–	66	Hazardous waste treatment
Beijing Enterprises Urban Services (Baoding Dingxing) Limited 北控城市服務(保定定興)有限公司#	the PRC 10 March 2016	RMB10,000,000	–	100	Urban services

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1. CORPORATE INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises Urban Services (Yichang) Limited 北控城市服務(宜昌)有限公司#	the PRC 21 January 2019	RMB20,000,000	–	100	Urban services
Jiangsu Beijing Enterprises Jinqiangwei Urban Services Limited 江蘇北控金薔薇城市服務有限公司@	the PRC 7 January 2019	RMB10,000,000	–	60	Urban services
Xianju Beijing Enterprises Urban Environmental Technology Limited 仙居北控城市環境科技有限公司#	the PRC 15 October 2018	RMB50,000,000	–	100	Hazardous waste treatment
Beijing Enterprises Zhongyan Properties Management Limited 北京北控中燕物業管理有限公司@	the PRC 6 December 2018	RMB10,000,000	–	70	Urban services
Beijing Enterprises Urban Services (Shanxi) Limited 北控城市服務(山西)有限公司@	the PRC 3 September 2018	RMB6,200,000	–	70	Urban services
Beijing Enterprises Urban Services (Zibo) Limited 淄博北控城市服務有限公司@	the PRC 9 September 2019	RMB16,000,000	–	80	Urban services
Kunming Xishan Beijing Enterprises Environmental Services Limited 昆明西山北控城市環境服務有限公司@	the PRC 30 July 2019	RMB7,172,000	–	70	Urban services
Beijing Enterprises Urban Services (Kaiyang) Limited 北控城市服務(開陽)有限公司@	the PRC 28 June 2019	RMB10,000,000	–	55	Urban services
Beijing Enterprises Zhongyan Logistics Limited 北京北控中燕運輸有限公司@	the PRC 5 August 2019	RMB3,500,000	–	70	Urban services

1. CORPORATE INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises Urban Services (Shenzhen Baoan) Limited 深圳寶安北控城市服務有限公司@	the PRC 28 February 2020	RMB110,509,800	–	70	Urban services
Beijing Enterprises Urban Services (Jiangmen Xinlvrun) Limited 江門新會北控綠潤城市服務有限公司@	the PRC 23 October 2020	RMB30,000,000	–	51	Urban services
Beijing Enterprises Urban Services (Dali) Limited 大荔北控城市服務有限公司#	the PRC 24 June 2020	RMB4,066,544	–	100	Urban services
Beijing Enterprises Urban Services (Shandong Zhoucun) Limited 山東周村北控城市服務有限公司#	the PRC 3 March 2020	RMB10,000,000	–	100	Urban services
Xuzhou Pingfu Beijing Enterprises Urban Environmental Resources Development Limited 徐州平福環保資源開發有限公司@	the PRC 23 July 2020	USD10,000,000	–	80	Hazardous waste treatment
Beijing Enterprises Urban Services (Guiyang Nanriparian) Limited 貴陽南河岸北控城市服務有限公司@	the PRC 16 November 2021	RMB10,000,000	–	55	Urban services
Beijing Enterprises Cleaning (Zaozhuang) Urban Environmental Services Limited 北控清道夫(棗莊)城市環境服務有限公司@	the PRC 15 July 2021	RMB3,000,000	–	51	Urban services
Beijing Enterprises Urban Services (Yutai) Limited 北控城市服務(魚台)有限公司@	the PRC 13 October 2021	RMB5,000,000	–	36*	Urban services
Beijing Enterprises Urban Services (Ningjin) Limited 北控城市服務寧晉有限公司@	the PRC 12 July 2022	RMB10,000,000	–	70	Urban services
Beijing Enterprises Urban Services (Tangshan) Limited 北控城服(唐山)環境衛生管理有限公司#	the PRC 12 July 2022	RMB10,000,000	–	100	Urban services

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31 December 2023

1. CORPORATE INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Enterprises Urban Services (Anyue) Limited 北控城市服務(安岳)有限公司@	the PRC 2 March 2022	RMB2,000,000	–	60	Urban services
Zigong Beijing Enterprises Urban Services Technology Limited 自貢北控城市服務科技有限公司@	the PRC 23 November 2022	RMB2,000,000	–	60	Urban services
Chongqing Beijing Enterprises Urban Services Technology Limited 重慶北控城市環境服務有限公司#	the PRC 2 November 2022	RMB36,000,000	–	100	Urban services
Chongqing Naide Beijing Enterprises Urban Resources Limited 重慶北控耐德城市環境服務有限公司@	the PRC 25 November 2022	RMB60,000,000	–	60	Urban services
Shenzhen Beijing Enterprises Urban Environmental Technology Limited 深圳市北控城市環境科技有限公司@	the PRC 8 November 2021	RMB612,245	–	51	Urban services
Beijing Smart Information Technology Limited. 北京斯碼特信息科技有限公司#	the PRC 8 November 2022	RMB2,000,000	–	100	Urban services
Yichang Pingfu Technology Limited 宜昌平福科技有限公司@	the PRC 7 June 2021	RMB8,523,000	–	100	Urban services
Beijing Enterprises Urban Services (Jincheng) Limited 北控城市服務(晉城)有限公司@&	the PRC 30 August 2023	RMB80,000,000	–	70	Urban services
Beijing Enterprises Urban Services (Longkou) Limited 北控城市服務(龍口)有限公司#&	the PRC 31 October 2023	RMB5,000,000	–	100	Urban services
Beijing Enterprises Urban Environmental Services (Tieling) Limited 北控市容環境服務(鐵嶺)有限公司#&	the PRC 18 January 2023	RMB10,000,000	–	100	Urban services

1. CORPORATE INFORMATION (CONTINUED)

INFORMATION ABOUT SUBSIDIARIES (CONTINUED)

Notes:

\# Wholly-foreign-owned enterprises under PRC law

@ Chinese-foreign equity joint venture enterprises under PRC law

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

& Newly set up in 2023

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

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

2. ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

Change of presentation currency

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

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2. ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

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

Impact on the consolidated statements of financial position:

	Increase		
	As at 31 December 2023	As at 31 December 2022	As at 1 January 2022
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Deferred tax assets *(Note)*	**2,992**	2,756	3,006
Total non-current assets	**2,992**	2,756	3,006
Total assets	**2,992**	2,756	3,006
Net assets	**2,992**	2,756	3,006
Equity			
Retained profits (included in reserves)	**2,992**	2,756	3,006
Equity attributable to owners of the parent	**2,992**	2,756	3,006
Non-controlling interests	**–**	–	–
Total equity	**2,292**	2,756	3,006

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

(c) (continued)

Impact on the consolidated statements of profit or loss:

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

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

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1,4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

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

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investment in a joint venture

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

The Group's investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

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

Service concession arrangements

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

Under these service concession arrangements:

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Service concession arrangements (Continued)

Consideration given by the grantor

A financial asset (receivable under a service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to manage and operate the infrastructure for public service. The Group has an unconditional right to receive cash or another financial asset if only the passage of time is required before payment of that consideration is due and the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets the specified quality of efficiency requirements. The financial asset (receivable under a service concession arrangement) is accounted for in accordance with the policy set out for "Investments and other financial assets" below.

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

Construction services

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

Operating services

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories, other tax recoverable, contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

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

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

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

Buildings	2 to 15 years
Motor vehicles	2 to 15 years
Leasehold land	34 to 50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(b) (continued)

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

The Group's lease liabilities are included in "Other payables and accruals".

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of offices and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Intangible assets (other than goodwill)

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

Operating concessions

Operating concessions representing the rights to provide urban services and the rights of use of motor vehicles. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 15 to 25 years or the estimated useful lives of motor vehicles of 3 to 8 years, as appropriate.

Computer software

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Derecognition of financial assets

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

The Group considers a financial asset in default when contractual payments are 180 days past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

Simplified approach

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement – trade and other payables, and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

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

Income tax

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

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

(a) Provision of urban environmental governance services

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

(b) Provision of hazard-free waste disposal services

Revenue from the provision of hazard-free waste disposal services is recognised at the point in time when the services are provided to the customers.

(c) Sale of recycling and reuse products and sale of dismantled products

Revenue from the sale of recycling and reuse products and sale of dismantled products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

(d) Construction services

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from other sources

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

Other income

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

Other employee benefits

Defined contribution plans

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

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

Borrowing costs

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

2. ACCOUNTING POLICIES (CONTINUED)

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

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

The functional currency of the Company and Hong Kong subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

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

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and Hong Kong subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and Hong Kong subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

ESTIMATION UNCERTAINTY

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

IMPAIRMENT OF GOODWILL

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were RMB247,954,000 (2022: RMB247,954,000) at 31 December 2023. Further details are set out in note 15 to the financial statements.

PROVISION FOR EXPECTED CREDIT LOSSES ON RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS, CONTRACT ASSETS, TRADE RECEIVABLES, ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE AND OTHER RECEIVABLES

The policy for provision for expected credit losses on receivables under service concession arrangements, contract assets, trade receivables, environmental decommissioning fees receivable and other receivables of the Group is based on an ECL model. A considerable amount of estimation is required in assessing the available information which includes information about past events, current conditions and forecasts future economic conditions to estimate the ECL. The carrying amounts of receivables under service concession arrangements, contract assets, trade receivables, environmental decommissioning fees receivable and other receivables other than prepayments carried as assets in the consolidated statement of financial position as at 31 December 2023 were set out in notes 16, 20, 21 and 22 to the financial statements, respectively.

4. OPERATING SEGMENT INFORMATION

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

(a) the urban services segment provides urban environmental governance services and construction services;

(b) the hazardous waste treatment segment provides hazardous waste treatment services; and

(c) the "others" segment comprise, principally, the waste electrical and electronic equipment treatment services and the sale of dismantled products.

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

4. OPERATING SEGMENT INFORMATION (CONTINUED)

	Urban services		Hazardous waste treatment		Others		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
Segment revenue ***(Note 5)***	**4,343,559**	3,460,927	**546,759**	526,580	**167,295**	265,896	**5,057,613**	4,253,403
Cost of sales	**(3,428,821)**	(2,705,811)	**(452,448)**	(429,594)	**(153,522)**	(252,299)	**(4,034,791)**	(3,387,704)
Gross profit	**914,738**	755,116	**94,311**	96,986	**13,773**	13,597	**1,022,822**	865,699
Segment results	**468,073**	420,280	**26,256**	6,748	**15,118**	8,033	**509,447**	435,061
Corporate and other unallocated income and expenses, net:								
– Corporate gains							**7,365**	811
– Finance costs							**(61,331)**	(28,973)
– Corporate and other unallocated expenses							**(30,097)**	(39,198)
							(84,063)	(67,360)
Profit before tax							**425,384**	367,701
Income tax expense							**(86,044)**	(96,205)
Profit for the year							**339,340**	271,746
Segmental profit for the year	**387,372**	326,901	**20,845**	2,522	**15,186**	9,433	**423,403**	338,856
Non-controlling interests	**(48,032)**	(51,842)	**1,805**	22,980	**(8,379)**	(4,055)	**(54,606)**	(32,917)
Owners of the parent	**339,340**	275,059	**22,650**	25,502	**6,807**	5,378	**368,797**	305,939
Corporate and other unallocated income and expenses, net							**(84,063)**	(67,360)
							284,734	238,579
Other segment information:								
Share of profit/(loss) of joint ventures	**1,637**	–	**(1,196)**	1,244	**–**	–	**441**	1,244
Impairment losses and write-down of inventory to net realisable value recognised in the consolidated statement of profit or loss, net	**6,720**	30,000	**2,379**	9,396	**–**	–	**9,099**	39,396
Depreciation and amortisation	**444,814**	350,016	**105,173**	89,351	**7,204**	6,278	**557,191**	445,645
Capital expenditure*	**650,382**	566,908	**268,005**	171,018	**1,332**	3,517	**919,719**	741,443

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets, service concession arrangements and other intangible assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

4. 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 PRC during the year.

(b) Over 90% of the Group's non-current assets were derived from the Group's operations in the PRC during the year.

INFORMATION ABOUT MAJOR CUSTOMERS

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

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Notes:

(a) Disaggregated revenue information

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

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

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Hazardous waste treatment businesses		
– Hazardous waste treatment services	**24,263**	20,649
Sale of dismantled products	**799**	595
Total	**25,062**	21,244

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

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

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

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

Notes: (Continued)

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Amounts expected to be recognised as revenue (excluding VAT):		
Within one year	**4,879,024**	3,574,303
After one year	**21,802,318**	22,575,060
Total	**26,681,342**	26,149,363

The remaining performance obligations expected to be recognised in more than one year are to be satisfied from 2 to 30 years. The amounts disclosed above do not include variable consideration which is constrained.

6. PROFIT BEFORE TAX

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

	Notes	2023 *RMB'000*	2022 *RMB'000* (Restated)
Cost of inventories sold*		**325,520**	434,551
Cost of services provided*		**3,642,617**	2,906,591
Depreciation of property, plant and equipment	*13*	**446,191**	362,288
Depreciation of right-of-use assets	*14*	**42,396**	35,879
Amortisation of service concession arrangements*	*16*	**66,654**	46,562
Amortisation of intangible assets	*17*	**1,950**	916
(Reversal of write-down)/write-down of inventories to net realisable value#		**(1,901)**	6,396
Impairment losses of trade receivables, net#	*20*	**11,000**	33,000
Provision for major overhauls	*30*	**2,466**	1,876
Lease payments under short term leases		**59,047**	37,584
Gain on disposal of items of property, plant and equipment, net@		**(7,536)**	(2,972)
Loss/(gain) on modification of leases#/@		**347**	(2,620)
Auditor's remuneration		**3,420**	3,268
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
Salaries and benefits in kind		**2,215,128**	1,925,534
Pension scheme contributions		**259,260**	216,652
Total		**2,474,388**	2,142,186

6. PROFIT BEFORE TAX (CONTINUED)

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

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

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

7. FINANCE COSTS

	2023 **_RMB'000_**	2022 _RMB'000_ (Restated)
Interest on bank borrowings	**104,742**	87,963
Interest on lease liabilities *(note 25)*	**6,009**	6,501
Interest on amounts due to non-controlling shareholders	**1,950**	2,915
Total interest on bank borrowings	**112,701**	97,379
Increase in discounted amounts of provision for major overhauls arising from the passage of time *(note 30)*	**6,781**	1,581
Total finance costs	**119,482**	98,960
Less: Interest capitalised	**(5,504)**	(7,350)
Total	**113,978**	91,610

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Fees	**1,123**	760
Other emoluments:		
Salaries, allowances and benefits in kind	**1,636**	2,095
Performance-related bonuses	**2,186**	2,011
Pension scheme contributions	**126**	116
Subtotal	**3,948**	4,222
Total	**5,072**	4,982

EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS:

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance-related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2023					
Executive directors:					
Mr. Zhou Min (Chairman)	139	–	–	–	139
Mr. Zhao Kexi (Chief Executive Officer)	139	1,086	1,590	63	2,878
Mr. Li Haifeng	139	–	–	–	139
Mr. Li Li	139	–	–	–	139
Mr. Zhou Chen	139	550	596	63	1,348
Subtotal	695	1,636	2,186	126	4,643
Independent non-executive directors:					
Mr. Orr Ka Yeung, Kevin (retired on 7 June 2023)	47	–	–	–	47
Mr. Wu Tak Kong	150	–	–	–	150
Dr. Du Huanzheng	139	–	–	–	139
Ms. Judith Yu (appointed on 7 June 2023)	92	–	–	–	92
Subtotal	428	–	–	–	428
Total	1,123	1,636	2,186	126	5,072

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS: (CONTINUED)

	Fees *RMB'000* (Restated)	Salaries, allowances and benefits in kind *RMB'000* (Restated)	Performance-related bonuses *RMB'000* (Restated)	Pension scheme contributions *RMB'000* (Restated)	Total remuneration *RMB'000* (Restated)
2022					
Executive directors:					
Mr. Zhou Min (Chairman)					
(redesignated on 1 August 2022)	30	–	–	–	30
Mr. Zhao Kexi (Chief Executive Officer)	103	1,545	1,810	58	3,516
Mr. Li Haifeng (redesignated on 1 August 2022)	30	–	–	–	30
Mr. Li Li (redesignated on 1 August 2022)	30	–	–	–	30
Mr. Zhou Chen	103	550	201	58	912
Subtotal	296	2,095	2,011	116	4,518
Non-executive directors:					
Mr. Zhou Min (Chairman)					
(resigned on 31 July 2022)	43	–	–	–	43
Mr. Li Haifeng (resigned on 31 July 2022)	43	–	–	–	43
Mr. Li Li (resigned on 31 July 2022)	43	–	–	–	43
Subtotal	129	–	–	–	129
Independent non-executive directors:					
Mr. Orr Ka Yeung, Kevin	103	–	–	–	103
Mr. Wu Tak Kong	129	–	–	–	129
Dr. Du Huanzheng	103	–	–	–	103
Subtotal	335	–	–	–	335
Total	760	2,095	2,011	116	4,982

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil). There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Mr. Orr Ka Yeung, Kevin retired as an independent non-executive director of the Company on 7 June 2023.

Ms. Judith Yu was appointed as an independent non-executive director of the Company on 7 June 2023.

Mr. Zhou Min, Mr. Li Haifeng and Mr. Li Li were redesignated as executive directors of the Company on 1 August 2022.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2022: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2022: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Salaries, allowances and benefits in kind	**2,734**	4,225
Performance related bonuses	**388**	992
Pension scheme contributions	**126**	146
Total	**3,248**	5,363

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

	Number of employees	
	2023	2022
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	1
Total	**3**	4

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

10. INCOME TAX EXPENSE

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

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Current – Chinese Mainland charge for the year	**84,852**	122,465
Deferred *(note 29)*	**1,192**	(26,260)
Total tax charge for the year	**86,044**	96,205

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

Year ended 31 December 2023

	Hong Kong		**Chinese Mainland**		**Total**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
(Loss)/profit before tax	**(75,405)**		**500,789**		**425,384**	
Tax at the statutory tax rate	**(12,442)**	**16.5**	**125,197**	**25.0**	**112,755**	**26.5**
Lower tax rates of specific provinces or enacted by local authorities	**–**	**–**	**(26,022)**	**(5.2)**	**(26,022)**	**(6.1)**
Income not subject to tax	**(2,069)**	**(2.7)**	**(13,781)**	**(2.8)**	**(15,850)**	**(3.7)**
Expenses not deductible for tax	**1,818**	**2.4**	**16,981**	**3.4**	**18,799**	**4.4**
Tax losses utilised from previous periods	**–**	**–**	**(28,232)**	**(5.6)**	**(28,232)**	**(6.6)**
Tax losses not recognised	**12,693**	**(16.8)**	**11,901**	**2.4**	**24,594**	**5.8**
Tax charge at the effective rate	**–**	**–**	**86,044**	**17.2**	**86,044**	**20.2**

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10. INCOME TAX EXPENSE (CONTINUED)

Year ended 31 December 2022

	Hong Kong		Chinese Mainland		Total	
	RMB'000 (Restated)	*%*	*RMB'000* (Restated)	*%*	*RMB'000* (Restated)	*%*
(Loss)/profit before tax	(47,726)		415,427		367,701	
Tax at the statutory tax rate	(7,874)	16.5	103,857	25.0	95,983	26.1
Lower tax rates of specific provinces or enacted by local authorities	–	–	(12,615)	(3.0)	(12,615)	(3.4)
Income not subject to tax	(505)	1.1	(9,090)	(2.2)	(9,595)	(2.6)
Expenses not deductible for tax	2,718	(5.7)	16,289	3.9	19,007	5.1
Tax losses utilised from previous periods	–	–	(21,199)	(5.1)	(21,199)	(5.8)
Tax losses not recognised	5,661	(11.9)	18,963	4.6	24,624	6.7
Tax charge at the effective rate	–	–	96,205	23.2	96,205	26.1

There was no share of tax attributable to joint ventures during the years ended 31 December 2023 and 2022.

11. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000* (Restated)
Interim – HK1.2 cents (2022: HK1.0 cent) per ordinary share	**39,744**	32,915
Proposed final – HK1.5 cents (2022: HK1.0 cent) per ordinary share	**48,015**	31,680
Total	**87,759**	64,595

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000 (Restated) (Note)	Plant and machinery RMB'000 (Restated)	Leasehold improvements RMB'000 (Restated)	Furniture, fixtures and equipment RMB'000 (Restated)	Motor vehicles RMB'000 (Restated)	Construction in progress RMB'000 (Restated)	Total RMB'000 (Restated)
31 December 2023							
At 31 December 2022 and 1 January 2023:							
Cost	**616,553**	**889,413**	**72,231**	**28,633**	**1,342,927**	**703,114**	**3,652,871**
Accumulated depreciation	**(138,530)**	**(310,357)**	**(26,452)**	**(9,372)**	**(606,220)**	**–**	**(1,090,931)**
Net carrying amount	**478,023**	**579,056**	**45,779**	**19,261**	**736,707**	**703,114**	**2,561,940**
At 1 January 2023, net of accumulated depreciation	**478,023**	**579,056**	**45,779**	**19,261**	**736,707**	**703,114**	**2,561,940**
Transfers	**504,447**	**92,026**	**5,690**	**41**	**5**	**(602,209)**	**–**
Additions	**61,854**	**40,684**	**9,002**	**6,174**	**303,299**	**162,191**	**583,204**
Disposals	**(42,380)**	**(15,956)**	**(2,819)**	**(1,765)**	**(26,257)**	**–**	**(89,177)**
Depreciation provided during the year	**(43,856)**	**(102,820)**	**(15,511)**	**(943)**	**(283,061)**	**–**	**(446,191)**
At 31 December 2023, net of accumulated depreciation	**958,088**	**592,990**	**42,141**	**22,768**	**730,693**	**263,096**	**2,609,776**
At 31 December 2023:							
Cost	**1,132,880**	**996,884**	**84,103**	**33,017**	**1,572,619**	**263,096**	**4,082,599**
Accumulated depreciation	**(174,792)**	**(403,894)**	**(41,962)**	**(10,249)**	**(841,926)**	**–**	**(1,472,823)**
Net carrying amount	**958,088**	**592,990**	**42,141**	**22,768**	**730,693**	**263,096**	**2,609,776**

	Buildings RMB'000 (Restated) (Note)	Plant and machinery RMB'000 (Restated)	Leasehold improvements RMB'000 (Restated)	Furniture, fixtures and equipment RMB'000 (Restated)	Motor vehicles RMB'000 (Restated)	Construction in progress RMB'000 (Restated)	Total RMB'000 (Restated)
31 December 2022							
At 31 December 2021 and 1 January 2022:							
Cost	615,462	762,676	49,323	24,221	974,744	561,547	2,987,973
Accumulated depreciation	(93,056)	(219,502)	(21,576)	(8,159)	(392,298)	–	(734,591)
Net carrying amount	522,406	543,174	27,747	16,062	582,446	561,547	2,253,382
At 1 January 2022, net of accumulated depreciation	522,406	543,174	27,747	16,062	582,446	561,547	2,253,382
Transfers	785	9,019	6,818	–	5,929	(22,551)	–
Additions	6,036	124,293	16,098	4,466	365,537	164,118	680,548
Disposals	(5,081)	(4,064)	–	(8)	(549)	–	(9,702)
Depreciation provided during the year	(46,123)	(93,366)	(4,884)	(1,263)	(216,652)	–	(362,288)
At 31 December 2022, net of accumulated depreciation	478,023	579,056	45,779	19,257	736,711	703,114	2,561,940
At 31 December 2022:							
Cost	616,553	889,413	72,231	28,629	1,342,931	703,114	3,652,871
Accumulated depreciation	(138,530)	(310,357)	(26,452)	(9,372)	(606,220)	–	(1,090,931)
Net carrying amount	478,023	579,056	45,779	19,257	736,711	703,114	2,561,940

Note:

Certain of the Group's buildings with a net carrying amount of RMB201,363,000 (2022: RMB138,323,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2023 (note 27(a)(iii)).

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

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Right-of-use assets			
	Buildings	**Motor vehicles**	**Leasehold land**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 1 January 2022 (restated)	64,015	39,362	237,244	340,621
Additions	37,478	5,324	–	42,802
Depreciation charge	(17,974)	(12,999)	(4,906)	(35,879)
Modification of a lease	(196)	(6,175)	–	(6,371)
Exchange realignment	69	–	–	69
As at 31 December 2022 and 1 January 2023 (restated)	**83,392**	**25,512**	**232,338**	**341,242**
Additions	**12,177**	**1,041**	**22,423**	**35,641**
Disposal	**–**	**–**	**(22,250)**	**(22,250)**
Depreciation charge	**(26,459)**	**(11,624)**	**(4,313)**	**(42,396)**
Modification of leases	**(1,404)**	**(1,796)**	**–**	**(3,200)**
Exchange realignment	**36**	**–**	**–**	**36**
As at 31 December 2023	**67,742**	**13,133**	**228,198**	**309,073**

Notes:

(a) Certain of the Group's prepaid land lease payments with a net carrying amount of RMB55,827,000 (2022: RMB58,507,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2023 (note 27(a)(iii)).

(b) Details of the carrying amount of lease liabilities (included under "other payables and accruals") and the movements during the year are set out in note 25 to the financial statements.

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

(d) The total cash outflow for leases amounted to RMB102,565,000 (2022: RMB73,479,000) for the year ended 31 December 2023.

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15. GOODWILL

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Cost and carrying amount	**247,954**	247,954

Impairment testing of goodwill

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Urban service CGU	**10,271**	10,271
Hazardous waste treatment CGUs	**237,683**	237,683
Total	**247,954**	247,954

The recoverable amounts of the relevant businesses in each of the above operating segments have been determined by reference to business valuations performed by Valtech Valuation Advisory Limited (2022: Valtech Valuation Advisory Limited), an independent professionally qualified valuer, based on values in use calculation using cash flow projections which are based on financial forecast approved by senior management covering a period of 5 years and based on the assumption that the sizes of the operations remain constant.

Assumptions were used in the value-in-use calculation of the relevant businesses in the urban service segment and hazardous waste treatment segment for 31 December 2023 and 2022. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

15. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

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

Discount rates – The pre-tax discount rates applied to the cash flow projections ranged from 8.81% to 17.25% for 2023 and 10.40% to 17.77% for 2022 for the business units of the urban services segment and hazardous waste treatment segment, which was determined by reference to the average rates for similar industries and the business risks of the relevant business units.

Growth rate – The growth rate used to extrapolate the cash flows beyond the five-year period was 2% for 2023 and 2022.

Based on the results of the impairment testing of goodwill, in the opinion of the directors of the Company, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2023 and 2022.

16. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into seven operating concession arrangements with certain governmental authorities in Chinese Mainland on a Build-Operate-Transfer ("BOT") or a Transfer-Operate-Transfer ("TOT") basis in respect of its urban services under HK(IFRIC)-Int 12 Service Concession Arrangements. These operating concession arrangements generally involve the Group as a provider of urban services on behalf of the relevant governmental authorities for a period of 15 to 28 years (the "Operating Concession Periods"), and the Group would be paid for its services over the years of the operating concession arrangements at prices stipulated through a pricing mechanism. The Group is generally entitled to use the fixed assets provided by the governmental authorities, however, the relevant governmental authorities as grantors will control and regulate the scope of services that the Group must provide with the fixed assets. The Group is obliged to hand over the fixed assets to the grantors at the end of the operating concession periods. Each of these operating concession arrangements is governed by a contract.

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

Name of company as operator	Name of project	Location	Name of grantor	Type of operating concession arrangement	Operating concession period
Beijing Enterprises (Cangzhou Hejian) Environmental Service Limited @ 北控(滄州河間)環境服務有限公司	Environmental Sanitation Marketisation Outsourcing PPP Project	Hejian City, Hebei Province	Hejian City Urban Administrative Bureau	TOT on urban services	25 years from 2016 to 2041
Beijing Enterprises (Qinhuangdao) Environmental Service Limited @ 北控城市服務 (秦皇島)有限公司	Urban-Rural Integration Garbage Collection and Transportation Facilities Construction PPP Project	Qinhuangdao, Funing District, Hebei Province	Funing District Urban Administrative Integrated Law Enforcement Bureau	TOT on urban services	25 years from 2016 to 2041
Beijing Enterprises Urban Services (Xintian) Limited @ 北控城市服務(新田)有限公司	Rural Domestic Waste Treatment PPP Project	Yongzhou City, Hunan Province	Xintian County Urban Administrative and Law Enforcement Bureau	TOT on urban services	28 years from 2018 to 2046

16. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Name of company as operator	Name of project	Location	Name of grantor	Type of operating concession arrangement	Operating concession period
Beijing Enterprises Urban Services (Quannan) Limited @ 北控城市服務(全南)有限公司	Quannan County Urban- Rural Sanitation Integration PPP Project	Quannan City, Jiangxi Province	Quannan City Urban Administrative Bureau	TOT on urban services	15 years from 2019 to 2034
Shenzhen Baoan Beijing Enterprises Urban Services Limited @ 深圳寶安北控城市服務有限公司	Xinqiao and Shajing District Urban-Rural Integration PPP Project	Shenzhen, Guangdong Province	Urban Administration & Enforcement Bureau of Bao'an District	BOT on urban services	15 years from 2020 to 2035
Ningjin Beijing Enterprises Urban Environmental Services Limited @ 寧津北控城市環境服務有限公司	Ningjing County Urban-Rural Integration and Greening Improvement PPP Project	Ningjin, Shandong Province	Urban Administration & Enforcement Bureau of Ningjin County	BOT on urban services	20 years from 2022 to 2042
Beijing Enterprises Urban Services (Tangshan) Limited @ 北控城服(唐山)環境衛生管理有限公司	Tangshan City Huanxiang River Environment Improvement PPP Project	Tangshan, Hebei Province	Tangshan Fengrun District Urban and Rural Rongtong Construction Co., Ltd	BOT on urban services	16 years from 2022 to 2038

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

16. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

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

OPERATING CONCESSIONS

	2023 RMB'000	2022 RMB'000 (Restated)
At 1 January:		
Cost	**318,536**	304,286
Accumulated amortisation and impairment	**(147,327)**	(100,765)
Net carrying amount	**171,209**	203,521
Net carrying amount:		
At 1 January	**171,209**	203,521
Addition	**290,839**	14,250
Reclassification from receivables under service concession arrangements	**86,803**	–
Amortisation provided during the year	**(66,654)**	(46,562)
At 31 December	**482,197**	171,209
At 31 December:		
Cost	**731,376**	318,536
Accumulated amortisation and impairment	**(249,179)**	(147,327)
Net carrying amount	**482,197**	171,209

Note: The Group's operating concession rights with a net carrying amount of approximately RMB50,483,000 (2022: RMB30,266,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2023 (note 27(a)(iii)).

16. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Receivables under service concession arrangements	–	112,523
Current portion	–	(17,508)
Non-current portion*	–	95,015

An impairment analysis was performed at 31 December 2022 using the provision matrix approach to measure life-time expected credit losses. The probabilities of default rates were estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2022, the expected credit loss rates were estimated to range from 0.21% to 4.88%. The loss allowance for impairment of the receivables under service concession arrangements in 2022 was not significant to the Group.

Note:

The Group's receivables under service concession arrangements were reclassified to operating concessions as at 31 December 2023.

* The non-current portion receivables represented contract assets as the rights to considerations have yet to be unconditional.

16. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

CONTRACT ASSETS

Details of contract assets which are presented as operating concessions and receivables under concession arrangements are as follows:

	31 December 2023 ***RMB'000***	31 December 2022 *RMB'000* (Restated)	1 January 2022 *RMB'000* (Restated)
Contract assets arising from construction services:			
Operating concessions	**234,094**	13,811	26,151
Receivables under service concession arrangements	**–**	–	1,469
Total	**234,094**	13,811	27,620

Contract assets are initially recognised for revenue earned from the provision of construction services during the period of construction under the service concession arrangements as the rights to considerations have yet to be unconditional. Pursuant to the service concession arrangements, the Group received no payments from the grantors during the construction period and receives service fees when the relevant services are rendered. The contract assets are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. The increase in contract assets in 2023 was the result of the new BOT projects of the Group. The decrease in contract assets in 2022 was the result of completion of a BOT project during the year, the related contract asset was transferred to operation concessions upon completion.

17. OTHER INTANGIBLE ASSETS

	Computer software	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
At the beginning of year		
Cost	**10,218**	6,376
Accumulated amortisation	**(2,341)**	(1,426)
Net carrying amount	**7,877**	4,950
Net carrying amount at 1 January	**7,877**	4,950
Additions	**10,035**	3,843
Amortisation provided during the year	**(1,950)**	(916)
At 31 December	**15,962**	7,877
At 31 December:		
Cost	**20,253**	10,218
Accumulated amortisation	**(4,291)**	(2,341)
Net carrying amount	**15,962**	7,877

18. INVESTMENTS IN JOINT VENTURES

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Share of net assets	**35,816**	34,530

Particulars of the Group's major joint ventures as at the end of the reporting period are as follows:

Name	**Place of registration and business**	**Registered capital**	**Percentage of ownership interest attributable to the Company**		**Principal activities**
			2023	**2022**	
Sichuan Jiuzhou Environmental Technology Co., Ltd.*	The PRC/Chinese Mainland	RMB37,000,000	39%	39%	Chemical refining business and sale of chemicals
Neijiang High-tech City Service Co., Ltd.*	The PRC/Chinese Mainland	RMB2,000,000	49%	–	Urban services and hazardous waste treatment

* In the opinion of the directors, these joint ventures were not individually material to the Group in the current and prior years. Hence, no disclosure of their financial information had been made.

18. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

	2023 **RMB'000**	2022 RMB'000 (Restated)
Share of profits and total comprehensive income of the joint ventures for the year	**441**	1,244
Aggregate carrying amount of the Group's investments in the joint ventures	**35,816**	34,530

19. INVENTORIES

	2023 **RMB'000**	2022 RMB'000 (Restated)
Raw materials	**20,922**	22,322
Finished goods	**33,195**	28,702
Total	**54,117**	51,024

20. TRADE AND BILLS RECEIVABLES

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

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

Notes:

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

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

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

Notes: (Continued)

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
At 1 January	**44,674**	11,674
Impairment losses, net *(note 6)*	**11,000**	33,000
At 31 December	**55,674**	44,674

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

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

As at 31 December 2023

	Current	**Less than 3 months**	**Past due 4 to 6 months**	**Past due 7 to 12 months**	**Over 1 year**	**Total**
Expected credit loss rate	**0.32%**	**0.40%**	**0.52%**	**1.45%**	**6.93%**	**2.19%**
Gross carrying amount (RMB'000)	**477,439**	**827,147**	**295,703**	**284,892**	**651,347**	**2,536,628**
Expected credit losses (RMB'000)	**1,534**	**3,296**	**1,544**	**4,138**	**45,162**	**55,674**

As at 31 December 2022

	Current	Less than 3 months	Past due 4 to 6 months	Past due 7 to 12 months	Over 1 year	Total
Expected credit loss rate	0.29%	0.36%	3.85%	3.85%	6.34%	2.21%
Gross carrying amount (RMB'000)	465,544	607,056	553,651	206,627	186,499	2,019,377
Expected credit losses (RMB'000)	1,359	2,201	21,336	7,963	11,815	44,674

21. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Environmental decommissioning fees receivable	**367,497**	354,151

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. Auditors' reports would be issued by the independent auditors and submitted to the Central Government for the quantities confirmation results. Subject to the internal procedures for processing the auditors' reports, the Central Government would publish online confirmation notices on its website the quantities of appliances being dismantled and an environmental decommissioning fee would be paid to the entities after the online publication. The whole confirmation process from performing the waste electrical and electronic equipment treatment services until the cash receipt from Central Government ranged from 4 to 5 years (2022: 3 to 4 years).

The Group does not hold any collateral over these balances.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2023, the expected credit loss rates were estimated to range from 0.51% to 0.84% (2022: range from 0.14% to 0.26%). The loss allowance for impairment of the receivables during the current and prior years were not significant to the Group.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Prepaid expenses	**29,300**	35,199
Guarantee deposits held by customers	**42,307**	46,965
Prepayments for acquisition of property, plant and equipment	**46,777**	42,974
Prepayments for acquisition of land use rights	**13,075**	14,700
Prepayments for purchase of inventories	**6,789**	10,097
Due from related companies *(note a)*	**21,082**	16,040
Due from joint ventures *(note a)*	**808**	–
Due from non-controlling shareholders *(note a)*	**36**	7,812
Others	**35,342**	42,616
	195,516	216,403
Portion classified as current assets	**(125,989)**	(153,805)
Non-current portion	**69,527**	62,598

Notes:

(a) The balances with related companies, joint ventures and non-controlling shareholders are unsecured, interest-free and have no fixed terms of repayment.

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

(c) An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2023, the expected credit loss rates were estimated to range from 0.24% to 2.17% (2022: range from 0.21% to 2.93%). The loss allowance for impairment of the deposits and other receivables during the current and prior years were not significant to the Group.

23. RESTRICTED CASH AND PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Cash and bank balances:		
Placed in banks *(note (a))*	**1,042,817**	1,357,229
Time deposits:		
Placed in banks *(note (a))*	**50,000**	71,032
Total cash and bank balances	**1,092,817**	1,428,261
Less: Restricted cash and pledged deposits *(note (b))*	**(12,068)**	(19,407)
Cash and cash equivalents	**1,080,749**	1,408,854

Notes:

(a) At 31 December 2023, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB1,066,981,000 (2022: RMB1,148,631,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

(b) Restricted cash and pledged deposits were made to banks for the bill facilities granted.

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24. TRADE AND BILLS PAYABLES

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Trade payables	**437,062**	316,206
Bills payable	**10,000**	25,350
Total	**447,062**	341,556

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

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

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

25. OTHER PAYABLES AND ACCRUALS

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Accruals	**324,312**	279,279
Contract liabilities *(note a)*	**39,486**	25,062
Lease liabilities *(note b)*	**93,001**	119,936
Payable for acquisition of property, plant and equipment	**161,391**	361,576
Payable for service concession arrangements	**98,473**	–
Due to related companies *(note c)*	**4,021**	12,836
Due to non-controlling shareholders *(note c)*	**62,699**	71,110
Other payables	**89,567**	118,277
	872,950	988,076
Portion classified as current liabilities	**(809,990)**	(888,869)
Non-current portion	**62,960**	99,207

25. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000* (Restated)	1 January 2022 *RMB'000* (Restated)
Short-term advances received from customers			
Hazardous waste treatment services	**38,214**	24,263	32,895
Sale of dismantled products	**1,272**	799	372
Total	**39,486**	25,062	33,267

The increase (2022: decrease) in contract liabilities in 2023 was mainly due to the increase (2022: decrease) in short-term advances received from customers in relation to the provision of hazardous waste treatment services at the end of the year.

(b) The following is the summarised information of the lease liabilities:

	Note	**2023** *RMB'000*	2022 *RMB'000* (Restated)
As at 1 January		**119,936**	115,420
Additions		**13,218**	42,802
Payments		**(43,345)**	(35,895)
Interest expense	*7*	**6,009**	6,501
Modification of leases		**(2,853)**	(8,991)
Exchange realignment		**36**	99
As at 31 December		**93,001**	119,936
Analysed into:			
Current portion		**42,670**	56,113
Non-current portion		**50,331**	63,823

(c) The balances with related companies and non-controlling shareholders are unsecured, interest-free and have no fixed terms of repayment, except for an aggregate amount of RMB30,769,000 advanced from a non-controlling shareholder in 2023 (2022: RMB38,149,000), which is unsecured, bears interest at the rate of 9% (2022: 9%) per annum and is repayable on demand.

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26. OTHER TAXES RECOVERABLE/PAYABLE

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Other tax recoverable:		
Value-added tax	**125,367**	113,788
Corporate income tax	**25,046**	–
Total	**150,413**	113,788
Other taxes payable:		
Value-added tax	**24,999**	16,881
Land use tax	**752**	746
Others	**7,589**	6,363
Total	**33,340**	23,990

27. INTEREST-BEARING BANK BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Secured bank loans	**794,870**	750,337
Unsecured bank loans	**1,767,269**	1,720,581
Total bank borrowings	**2,562,139**	2,470,918
Portion classified as current liabilities	**(1,270,109)**	(766,727)
Non-current portion	**1,292,030**	1,704,191
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,270,109**	766,727
In the second year	**585,460**	720,310
In the third to fifth years, inclusive	**395,180**	727,776
Beyond five years	**311,390**	256,105
	2,562,139	2,470,918

27. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

Notes:

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

(i) The pledge over a non-controlling shareholder's equity interest in a subsidiary as at 31 December 2023 and 2022;

(ii) The pledge over the Group's equity interest in subsidiaries as at 31 December 2023 and 2022; and

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

	Notes	**2023** ***RMB'000***	2022 *RMB'000* (Restated)
Property, plant and equipment	*13*	**201,363**	138,323
Right-of-use assets	*14*	**55,827**	58,507
Operating concession rights	*16*	**50,483**	30,266
Total		**307,673**	227,096

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

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
HK$	**568,800**	1,188,000
RMB	**1,993,339**	1,282,918
Total	**2,562,139**	2,470,918

27. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

Notes: (continued)

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

	2023	2022
Bank loans:		
Secured	**3.3% – 5.0%**	3.7% – 5.0%
Unsecured	**2.6% – 5.9%**	2.3% – 6.7%

(d) Loan agreements of certain bank loans of the Group in an aggregate carrying amount of RMB1,208,800,000 (2022: RMB1,188,000,000) as at 31 December 2023 include covenants imposing specific performance obligations on the substantial shareholder of the Company, among which a breach of any of the following specific performance obligations would constitute events of default on the loan facilities:

(i) Beijing Enterprises Group Company Limited ("BEGCL") is effectively wholly owned, supervised and/or controlled by The People's Government of Beijing Municipality;

(ii) BEGCL (and/or as may be through its subsidiary or subsidiaries) collectively is Beijing Enterprises Holdings Limited's ("BEHL") indirect single largest shareholder with at least 40% effective interest in BEHL's issued ordinary share capital;

(iii) BEHL (and/or as may be through its subsidiary or subsidiaries) collectively is BEWG's indirect single largest shareholder with at least 35% effective interest in BEWG's issued ordinary share capital; and

(iv) BEWG (and/or as may be through its subsidiary or subsidiaries) collectively is the Company's indirect single largest shareholder with at least 30% effective interest in the Company's issued ordinary share capital.

Based on the directors' best belief and knowledge, none of the above events of default took place during the year and as at the date of approval of these financial statements.

28. DEFERRED INCOME

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

29. DEFERRED TAX

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

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Deferred tax assets	**66,228**	57,500
Deferred tax liabilities	**(42,190)**	(32,270)
Total	**24,038**	25,230

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

	Note	**Fair value adjustments arising from acquisition of subsidiaries** *RMB'000*	**Provision for major overhauls** *RMB'000*	**Lease liabilities** *RMB'000*	**Right-of-use assets** *RMB'000*	**Temporary differences related to service concession arrangements** *RMB'000*	**Impairment provision** *RMB'000*	**Unrealised profits arising from intra-group transactions** *RMB'000*	**Net deferred tax assets/ (liabilities)** *RMB'000*
At 31 December 2021		(6,164)	858	–	–	(1,836)	3,106	–	(4,036)
Effect of adoption of amendments to HKAS 12 *(note 2.2(c))*		–	–	28,678	(25,672)	–	–	–	3,006
At 1 January 2022 (restated)		(6,164)	858	28,678	(25,672)	(1,836)	3,106	–	(1,030)
Net deferred tax credited/ (charged) to profit or loss (restated)	*10*	–	138	906	(1,156)	4,802	8,890	12,680	26,260
At 31 December 2022 (restated)		(6,164)	996	29,584	(26,828)	2,966	11,996	12,680	25,230
At 31 December 2022		(6,164)	996	–	–	2,966	11,996	12,680	22,474
Effect of adoption of amendments to HKAS 12 *(note 2.2(c))*		–	–	29,584	(26,828)	–	–	–	2,756
At 1 January 2023 (restated)		(6,164)	996	29,584	(26,828)	2,966	11,996	12,680	25,230
Net deferred tax credited/ (charged) to profit or loss	*10*	–	800	(6,594)	6,830	(2,496)	2,878	(2,610)	(1,192)
At 31 December 2023		(6,164)	1,796	22,990	(19,998)	470	14,874	10,070	24,038

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29. DEFERRED TAX (CONTINUED)

Notes:

(a) As at 31 December 2023, the Group has tax losses arising in Hong Kong of RMB248,450,000 (2022: RMB175,233,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the PRC of RMB72,732,000 (2022: RMB140,074,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in certain subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

(b) The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group.

At 31 December 2023 and 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB2,199,467,000 (2022: RMB1,697,446,000) as at 31 December 2023.

30. PROVISION FOR MAJOR OVERHAULS

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

The movements in the provision for major overhauls of the landfills during the year are as follows:

	Notes	**2023** ***RMB'000***	2022 *RMB'000* (Restated)
At 1 January		**37,949**	34,492
Additions	*6*	**2,466**	1,876
Reassessment of post-closure provision		**76,336**	–
Increase in discounted amounts arising from the passage of time	*7*	**6,781**	1,581
At 31 December		**123,532**	37,949

31. SHARE CAPITAL

SHARES

	2023	2022
	HK$'000	*HK$'000*
Authorised:		
30,000,000,000 ordinary shares of HK$0.1 each	**3,000,000**	3,000,000

	2023	2022
	RMB'000	*RMB'000*
Issued and fully paid:		
3,600,000,000 ordinary shares of HK$0.1 each	**317,405**	317,405

The movements in the Company's share capital were as follows:

	Number of ordinary shares of HK$0.1 each	Nominal value of ordinary shares *HK$'000*
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**30,000,000,000**	**3,000,000**

	Number of shares in issue of HK$0.1 each	Share capital *RMB'000* (Restated)
Issued and fully paid:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	3,600,000,000	317,405

Note:

The Company purchased 3,636,000 (2022: Nil) of its shares on the Stock Exchange at an aggregate consideration of HK$1,651,000 (equivalent to RMB1,456,000) (after expenses). The shares were yet to be cancelled and classified as treasury shares as at the end of the reporting period as further detailed in note 32(e) to the financial statements.

32. RESERVES

(A) GROUP

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

(B) MERGER RESERVE

Pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company on the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 26 March 2019.

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

(C) PRC RESERVE FUNDS

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

(D) CAPITAL RESERVE

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

(E) TREASURY SHARES

During the year ended 31 December 2023, the Company purchased 3,636,000 (2022: Nil) of its shares on the Stock Exchange at an aggregate consideration of HK$1,651,000 (equivalent to RMB1,456,000) (after expenses). The shares were yet to be cancelled as at the end of the reporting period.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) MAJOR NON-CASH TRANSACTIONS

(i) During the year, the Group had non-cash additions and modification to right-of-use assets and lease liabilities of RMB10,018,000 (2022: RMB33,811,000) and RMB10,018,000 (2022: RMB33,811,000), respectively, in respect of lease arrangements for leasehold land, buildings and motor vehicles.

(ii) During the year, additions of property, plant and equipment and provision for major overhauls amounting to RMB76,336,000 (2022: Nil) are due to the reassessment of post-closure provision for landfills, which have no cash flow impact on the Group.

(B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES:

	Interest-bearing bank borrowings *RMB'000*	Lease liabilities *RMB'000*
At 1 January 2022 (Restated)	1,898,978	115,420
New leases	–	42,802
Modification of leases	–	(8,991)
Changes from financing cash flows	502,877	(35,895)
Interest on lease liabilities	–	6,501
Foreign exchange movement	69,063	99
At 31 December 2022 and 1 January 2023 (Restated)	**2,470,918**	**119,936**
New leases	**–**	**13,218**
Modification of leases	**–**	**(2,853)**
Changes from financing cash flows	**64,220**	**(43,345)**
Interest on lease liabilities	**–**	**6,009**
Foreign exchange movement	**27,001**	**36**
At 31 December 2023	**2,562,139**	**93,001**

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

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

	2023	2022
Percentage of equity interests held by non-controlling interests:		
Qingdao Beijing Enterprises Resources and Environmental Technology Limited and its subsidiaries ("Qingdao Group")	**35%**	35%

Loss for the year allocated to non-controlling interests:

	RMB'000	*RMB'000* (Restated)
Qingdao Group	**(145)**	(17,199)
Accumulated balances of non-controlling interests at the reporting date:		
Qingdao Group	**281,793**	281,938

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

Qingdao Group	**2023** ***RMB'000***	2022 *RMB'000* (Restated)
Revenue	**357,408**	458,828
Total expenses	**(344,030)**	(471,866)
Profit/(loss) and total comprehensive income/(loss) for the year	**13,378**	(13,038)
Current assets	**653,811**	633,112
Non-current assets	**700,399**	771,994
Current liabilities	**(228,488)**	(286,253)
Non-current liabilities	**(315,972)**	(322,481)
Net cash flows from operating activities	**87,656**	59,163
Net cash flows from/(used in) investing activities	**13,036**	(5,863)
Net cash flows used in financing activities	**(48,429)**	(62,488)
Net increase/(decrease) in cash and cash equivalents	**52,263**	(9,188)

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bill facilities granted and bank borrowings are included in notes 23 and 27(a) to the financial statements.

36. COMMITMENTS

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

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Construction in progress	**10,493**	48,447
Plant and equipment and motor vehicles	**22,879**	74,725
Service concession arrangements	**157,639**	374,703
Total	**191,011**	497,875

37. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the years:

	Notes	**2023** ***RMB'000***	2022 *RMB'000* (Restated)
Related companies			
Cost of technical services#	*(i)*	**–**	2,189
Entrusted operation service income#	*(ii)*	**13,705**	14,018
Sale of electric trike vehicles and consumables#	*(iii)*	**1,248**	4,113
Motor vehicles and equipment leasing expenses#	*(iv)*	**2,686**	2,463

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

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37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes:

(i) During the year ended 31 December 2022, the Group engaged an associate of BEWG to provide the technical services relating to waste treatment, based on terms mutually agreed between the Group and the related party.

(ii) The Group entered into an arrangement with a subsidiary of BEWG to provide entrusted operation services for this subsidiary of BEWG.

(iii) The amount represented the income generated from the sale of electric trike vehicles and consumables for the provision of urban services to a subsidiary of BEWG.

(iv) The amount represented the leasing cost of motor vehicles and equipment to a subsidiary of BEWG.

(v) The Group leased two office buildings from subsidiaries of BEWG with lease terms ranging from 2 to 3 years. The rental fees were RMB160,000 and HK$60,400 per month throughout the contract periods. The financial impact of the leases was included in right-of-use assets and lease liabilities in the financial statements for the years ended 31 December 2023 and 2022.

(b) Outstanding balances with related parties:

Other than the balances and transactions detailed in the above and notes 22 and 25 to the financial statements, the Group did not have other significant related party balances as at the end of the reporting period and related party transactions during the reporting period.

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

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Short term employee benefits	**7,853**	7,986
Post-employment benefits	**189**	173
Total compensation paid to key management personnel	**8,042**	8,159

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

38. FINANCIAL INSTRUMENTS BY CATEGORY

Except for the equity investment of RMB5,000,000 (2022: RMB5,000,000) which is measured at fair value through other comprehensive income, all financial assets and liabilities of the Group as at the end of the reporting period, were measured at amortised cost.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

INTEREST RATE RISK

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

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

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax of the Group** *RMB'000*
For the year ended 31 December 2023		
RMB	**100**	**(25,190)**
RMB	**(100)**	**25,190**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax of the Group *RMB'000* (restated)
For the year ended 31 December 2022		
RMB	100	(21,850)
RMB	(100)	21,850

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

FOREIGN CURRENCY RISK

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

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

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB/HK$ exchange rate, with all other variables held constant, of the Group's profit before tax arising from RMB denominated financial instruments. There is no impact on the Group's equity.

	Increase/ (decrease) in profit before tax ***RMB'000***
For the year ended 31 December 2023	
If HK$ strengthens against RMB by 5%	**(91)**
If HK$ weakens against RMB by 5%	**91**

	Increase/ (decrease) in profit before tax *RMB'000* (restated)
For the year ended 31 December 2022	
If HK$ strengthens against RMB by 5%	(5,105)
If HK$ weakens against RMB by 5%	5,105

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK

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

MAXIMUM EXPOSURE AND YEAR-END STAGING AS AT 31 DECEMBER 2023 AND 2022

Management groups financial instruments on the basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining a significant increase in credit risk and the calculation of impairment. The gross carrying amount of each financial asset in the consolidated statements of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2023 and 2022.

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

– significant financial difficulty of the debtor

– a breach of contract such as a default or past due event

– it is probable that the debtor will enter bankruptcy or other financial reorganisation

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK (CONTINUED)

MAXIMUM EXPOSURE AND YEAR-END STAGING AS AT 31 DECEMBER 2023 AND 2022 (CONTINUED)

The Group has established a policy to perform an assessment as at 31 December 2023 and 2022, of whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group classifies its bills receivable and other receivables into Stage 1 as described below:

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

Management also makes periodic collective assessments for the receivables as well as individual assessment on the recoverability of the receivables based on historical settlement records, past experience and other factors. The Group classifies the receivables into different stages by risk and continuously monitored their credit risk. Management believes that there was no material credit risk inherent in the Group's outstanding balances as at 31 December 2023 and 2022.

As at 31 December 2023 and 31 December 2022, all pledged deposits and cash and cash equivalents were deposited with creditworthy financial institutions without significant credit risk.

The Group does not provide any guarantees which would expose the Group or the Company to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from the financial assets are set out in notes 16, 20, 21 and 22 to the financial statements.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK

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

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

At 31 December 2023

	Within one year or on demand *RMB'000*	In the second year *RMB'000*	In the third to fifth years, inclusive *RMB'000*	Over five years *RMB'000*	Total *RMB'000*
Trade and bills payables	447,062	–	–	–	447,062
Other payables and accruals	776,461	52,201	65,726	21,071	915,459
Due to related companies	4,021	–	–	–	4,021
Due to non-controlling shareholders	62,699	–	–	–	62,699
Interest-bearing bank borrowings	1,332,571	602,443	409,731	321,664	2,666,409
Total	2,622,814	654,644	475,457	342,735	4,095,650

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

At 31 December 2022

	Within one year or on demand *RMB'000* (Restated)	In the second year *RMB'000* (Restated)	In the third to fifth years, inclusive *RMB'000* (Restated)	Over five years *RMB'000* (Restated)	Total *RMB'000* (Restated)
Trade and bills payables	341,556	–	–	–	341,556
Other payables and accruals	847,120	82,115	112,281	18,542	1,060,058
Due to related companies	12,836	–	–	–	12,836
Due to non-controlling shareholders	74,544	–	–	–	74,544
Interest-bearing bank borrowings	847,644	752,677	751,998	267,106	2,619,425
Total	2,123,700	834,792	864,279	285,648	4,108,419

CAPITAL MANAGEMENT

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

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

The Group monitors capital using a net gearing ratio, which is net debt divided by total equity. Net debt is calculated as interest-bearing bank borrowings less cash and cash equivalents. The Group's policy is to maintain a stable gearing ratio. The gearing ratio as at the end of each of the years was as follows:

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Interest-bearing bank borrowings	**2,562,139**	2,470,918
Less: Cash and cash equivalents	**(1,080,749)**	(1,408,854)
Net debt	**1,481,390**	1,062,064
Total equity	**3,852,048**	3,573,161
Net gearing ratio	**38.5%**	29.7%

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	Note	**2023** *RMB'000*	2022 *RMB'000* (Restated)	2021 *RMB'000* (Restated)
NON-CURRENT ASSET				
Investment in a subsidiary		**1,184,645**	1,158,311	1,079,335
CURRENT ASSETS				
Due from subsidiaries		**1,264,385**	871,694	875,232
Prepayments		**333**	326	304
Cash and cash equivalents		**10,587**	240,074	41,684
Total current assets		**1,275,305**	1,112,094	917,220
CURRENT LIABILITIES				
Other payables and accruals		**348,075**	16,752	5,152
Interest-bearing bank borrowings		**374,500**	484,000	123,000
Total current liabilities		**722,575**	500,752	128,152
NET CURRENT ASSETS		**552,730**	611,342	789,068
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,737,375**	1,769,653	1,868,403
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings		**270,000**	264,000	328,000
Net assets		**1,467,375**	1,505,653	1,540,403
EQUITY				
Share capital	*31*	**317,405**	317,405	317,405
Reserves *(Note)*		**1,149,970**	1,188,248	1,222,998
Total equity		**1,467,375**	1,505,653	1,540,403

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

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

	Capital reserve	Share premium	Treasury shares	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022 (Restated)	920,031	443,166	–	(118,766)	(21,433)	1,222,998
Loss for the year and total comprehensive income for the year	–	–	–	111,220	(20,272)	90,948
Final 2021 dividend declared	–	(92,783)	–	–	–	(92,783)
Interim 2022 dividend declared	–	(32,915)	–	–	–	(32,915)
At 31 December 2022 and 1 January 2023 (Restated)	**920,031**	**317,468**	**–**	**(7,546)**	**(41,705)**	**1,188,248**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**31,794**	**2,808**	**34,602**
Final 2022 dividend declared	**–**	**(31,680)**	**–**	**–**	**–**	**(31,680)**
Interim 2023 dividend declared	**–**	**(39,744)**	**–**	**–**	**–**	**(39,744)**
Shares repurchased	**–**	**–**	**(1,456)**	**–**	**–**	**(1,456)**
At 31 December 2023	**920,031**	**246,044**	**(1,456)**	**24,248**	**(38,897)**	**1,149,970**

42. COMPARATIVE AMOUNTS

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

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2024.

FIVE YEAR FINANCIAL SUMMARY

Year ended 31 December 2023

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, as restated as appropriate, is set out below.

RESULTS

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)	(Restated)	(Restated)
CONTINUING OPERATIONS					
Revenue	**5,057,613**	4,253,403	3,693,423	3,132,938	2,386,049
Profit before tax from continuing operations	**425,384**	367,701	596,781	626,381	381,384
Income tax expenses	**(86,044)**	(96,205)	(113,615)	(145,398)	(76,998)
PROFIT FOR THE YEAR FROM CONTINUING OPERATION	**339,340**	271,496	483,166	480,983	304,386
Attributable to:					
Owners of the parent	**284,734**	238,579	416,662	379,890	237,303
Non-controlling interest	**54,606**	32,917	66,504	101,092	67,083
	339,340	271,496	483,166	480,982	304,386
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	–	–	–	–	5,409
PROFIT FOR THE YEAR	**339,340**	271,496	483,166	480,982	309,795
Attributable to:					
Owners of the parent	**284,734**	238,579	416,662	379,890	247,586
Non-controlling interest	**54,606**	32,917	66,504	101,092	62,209
	339,340	271,496	483,166	480,982	309,795

ASSET, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	**8,126,792**	7,696,325	6,698,235	5,979,388	4,438,607
Total liabilities	**(4,274,744)**	(4,123,164)	(3,234,262)	(2,899,054)	(2,429,378)
	3,852,048	3,573,161	3,463,973	3,080,334	2,009,229
Equity attributable to owners of the parent	**3,161,780**	2,957,760	2,863,785	2,524,709	1,599,926
Non-controlling interests	**690,268**	615,401	600,188	555,625	409,303
	3,852,048	3,573,161	3,463,973	3,080,334	2,009,229

北控城市資源集團有限公司

BEIJING ENTERPRISES URBAN RESOURCES GROUP LIMITED