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

**北控城市資源集團有限公司**

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

**(Stock Code: 3718)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020**

#### **HIGHLIGHTS**

- The Group recorded a revenue of HK\$1,546.0 million, representing an increase of 20.1% as compared with that of HK\$1,287.1 million in last period.
- Profit for the period from continuing operations attributable to shareholders of the Company increased by approximately 71.6% to HK\$217.8 million for the six months ended 30 June 2020 as compared to HK\$126.9 million for last period.
- Basic and diluted earnings per share for profit from continuing operations for the six months ended 30 June 2020 were HK6.17 cents (six months ended 30 June 2019: HK4.70 cents).
- The Group's revenue from environmental hygiene services increased by approximately 39.6% to HK\$1,266.1 million for the six months ended 30 June 2020 as compared with that of HK\$906.6 million in last period.
- The gross profit margin of the Group's environmental hygiene services projects, excluding the VAT Relief and the Other Relief, increased to 26.3% for the six months period ended 30 June 2020 as compared to 24.1% for last period.
- Net cash flows from operating activities for the six months ended 30 June 2020 was approximately HK\$378.7 million (six months ended 30 June 2019: HK\$201.3 million).
- Cash and cash equivalents of the Group amounted to approximately HK\$1,387.3 million as at 30 June 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Enterprises Urban Resources Group Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results and cash flows of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020 and the unaudited interim condensed consolidated statement of financial position as at 30 June 2020, together with comparative figures for the corresponding period in 2019, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited) (Restated)
<b>CONTINUING OPERATIONS</b>			
Revenue	3	1,546,002	1,287,074
Cost of sales		<u>(1,038,058)</u>	<u>(917,372)</u>
Gross profit		507,944	369,702
Other income and gains, net	3	29,304	30,312
Administrative expenses		(138,132)	(140,735)
Selling and distribution expenses		(6,222)	(4,355)
Other expenses		(5,890)	(5,320)
Finance costs	5	(36,177)	(33,494)
Share of profit/(loss) of a joint venture		<u>2,326</u>	<u>(698)</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		353,153	215,412
Income tax expense	6	<u>(82,142)</u>	<u>(48,806)</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		<u>271,011</u>	<u>166,606</u>
Attributable to:			
Owners of the parent		217,816	126,947
Non-controlling interests		<u>53,195</u>	<u>39,659</u>
		<u>271,011</u>	<u>166,606</u>

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited) (Restated)
<b>DISCONTINUED OPERATION</b>			
Loss for the period from a discontinued operation	7	<u>–</u>	<u>(12,260)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>271,011</b></u>	<u>154,346</u>
<b>ATTRIBUTABLE TO:</b>			
Owners of the parent		<u>217,816</u>	120,694
Non-controlling interests		<u>53,195</u>	<u>33,652</u>
		<u><b>271,011</b></u>	<u>154,346</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>			
Basic and diluted ( <i>HK cents</i> )	8		
– For profit for the period		<u><b>HK6.17 cents</b></u>	HK4.47 cents
– For profit from continuing operations		<u><b>HK6.17 cents</b></u>	<u>HK4.70 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
		(Restated)
PROFIT FOR THE PERIOD	<b>271,011</b>	154,346
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
– Exchange differences on translation of foreign operations	<b>(68,772)</b>	(5,395)
– Reclassification adjustments for a foreign operation disposed of during the period	<u>–</u>	<u>(38)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b><u>202,239</u></b>	<u>148,913</u>
ATTRIBUTABLE TO:		
Owners of the parent	<b>155,034</b>	110,387
Non-controlling interests	<b><u>47,205</u></b>	<u>38,526</u>
	<b><u>202,239</u></b>	<u>148,913</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	<i>Notes</i>	<b>30 June 2020</b>	31 December 2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,010,091</b>	1,748,584
Right-of-use assets		<b>405,603</b>	334,519
Goodwill		<b>273,716</b>	279,586
Operating concessions		<b>109,035</b>	114,006
Other intangible assets		<b>2,132</b>	2,490
Prepayments, deposits and other receivables		<b>73,611</b>	115,379
Investment in a joint venture		<b>33,738</b>	32,144
Trade receivables	<i>10</i>	<b>65,578</b>	24,663
Contract assets		<b>5,282</b>	42,388
Deferred tax assets		<b>9,986</b>	6,700
		<hr/>	<hr/>
Total non-current assets		<b>2,988,772</b>	2,700,459
<b>CURRENT ASSETS</b>			
Inventories		<b>67,834</b>	44,733
Trade and bills receivables	<i>10</i>	<b>829,427</b>	775,332
Environmental decommissioning fees receivable	<i>11</i>	<b>248,504</b>	219,460
Contract assets		<b>4,108</b>	3,513
Other tax recoverable		<b>112,242</b>	66,693
Prepayments, deposits and other receivables		<b>59,824</b>	84,606
Due from related companies		<b>9,404</b>	3,233
Due from non-controlling shareholders		<b>17,736</b>	22,679
Pledged deposits		<b>14,275</b>	14,596
Cash and cash equivalents		<b>1,387,268</b>	1,051,896
		<hr/>	<hr/>
Total current assets		<b>2,750,622</b>	2,286,741
<b>TOTAL ASSETS</b>		<b>5,739,394</b>	4,987,200

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

30 June 2020

		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	<b>194,976</b>	160,529
Other payables and accruals		<b>864,376</b>	825,663
Other taxes payable		<b>2,464</b>	22,623
Income tax payable		<b>64,536</b>	42,948
Due to related companies		<b>1,941</b>	1,876
Interest-bearing bank and other borrowings	13	<b>569,602</b>	563,950
		<hr/>	<hr/>
Total current liabilities		<b>1,697,895</b>	1,617,589
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>1,052,727</b>	669,152
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,041,499</b>	3,369,611
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		<b>167,909</b>	147,712
Other payables and accruals		<b>121,887</b>	116,526
Deferred tax liabilities		<b>22,081</b>	16,829
Interest-bearing bank and other borrowings	13	<b>681,625</b>	825,831
Provision for major overhaul		<b>5,162</b>	5,155
		<hr/>	<hr/>
Total non-current liabilities		<b>998,664</b>	1,112,053
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>3,042,835</b>	2,257,558
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	14	<b>360,000</b>	270,000
Reserves		<b>2,195,261</b>	1,543,820
		<hr/>	<hr/>
		<b>2,555,261</b>	1,813,820
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>487,574</b>	443,738
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>3,042,835</b>	2,257,558
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 <i>HK\$'000</i> <i>(Unaudited)</i>	2019 <i>HK\$'000</i> <i>(Audited)</i>
Net cash flows from operating activities	<b>378,685</b>	201,273
Net cash flows from/(used in) investing activities	<b>(444,271)</b>	24,007
Net cash flows from/(used in) financing activities	<b>428,994</b>	(80,104)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>363,408</b>	145,176
Cash and cash equivalents at beginning of period	<b>1,051,896</b>	677,249
Effect of foreign exchange rate changes, net	<b>(28,036)</b>	6,124
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<b>1,387,268</b>	828,549

## NOTES

### 1.1 CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

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

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

### 1.2 BASIS OF PREPARATION

This unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange. It is unaudited but has been reviewed by the Audit Committee of the Company.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), except for the adoption of the new and revised HKFRSs as disclosed in note 1.3 below.



### 1.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

## **2. OPERATING SEGMENT INFORMATION**

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

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

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

	Environmental hygiene services for the six months ended 30 June		Hazardous waste treatment for the six months ended 30 June		Others for the six months ended 30 June		Total for the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)
Segment revenue (Note 3)	1,266,068	906,640	193,423	277,213	86,511	103,221	1,546,002	1,287,074
Cost of sales	(862,885)	(688,230)	(116,442)	(155,291)	(58,731)	(73,851)	(1,038,058)	(917,372)
Gross profit	<u>403,183</u>	<u>218,410</u>	<u>76,981</u>	<u>121,922</u>	<u>27,780</u>	<u>29,370</u>	<u>507,944</u>	<u>369,702</u>
Segment results	<u>321,845</u>	<u>133,991</u>	<u>53,336</u>	<u>96,737</u>	<u>22,650</u>	<u>19,614</u>	<u>397,831</u>	<u>250,342</u>
Corporate and other unallocated income and expenses, net:								
– Interest income							29	854
– Other corporate gains							29	4,841
– Finance costs							(10,207)	(11,207)
– Corporate and other unallocated expenses							(34,529)	(29,418)
							<u>(44,678)</u>	<u>(34,930)</u>
Profit before tax from continuing operations							353,153	215,412
Income tax expense							(82,142)	(48,806)
Profit for the period from continuing operations							<u>271,011</u>	<u>166,606</u>
Segmental profit for the period from continuing operations	251,045	99,717	44,088	84,183	20,556	17,636	315,689	201,536
Non-controlling interests	(39,894)	(13,565)	(4,777)	(19,054)	(8,524)	(7,040)	(53,195)	(39,659)
Owners of the parent	<u>211,151</u>	<u>86,152</u>	<u>39,311</u>	<u>65,129</u>	<u>12,032</u>	<u>10,596</u>	<u>262,494</u>	<u>161,877</u>
Corporate and other unallocated income and expenses, net							(44,678)	(34,930)
							<u>217,816</u>	<u>126,947</u>
<b>Other segment information:</b>								
Share of profit/(loss) of a joint venture	–	–	2,326	(698)	–	–	2,326	(698)
Impairment losses/(reversal of impairment losses) recognised in the statement of profit or loss, net	–	(360)	(1,086)	99	64	–	(1,022)	(261)
Depreciation and amortisation	96,426	54,982	32,569	42,850	3,441	4,038	132,436	101,870
Investment in a joint venture	–	–	33,738	32,144	–	–	33,738	32,144
Capital expenditure*	<u>352,051</u>	<u>259,643</u>	<u>161,050</u>	<u>161,668</u>	<u>762</u>	<u>3,393</u>	<u>513,863</u>	<u>424,704</u>

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

## Geographical information

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

## Information about major customers

During the six months ended 30 June 2020 and 2019, no revenue from transactions with a single external customer contributed over 10% to the total revenue of the Group.

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

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)
<b>Revenue from contract customers</b>		
Environmental hygiene services businesses		
– Environmental hygiene services	1,256,574	906,640
– Construction services	9,494	–
	<u>1,266,068</u>	<u>906,640</u>
Hazardous waste treatment businesses		
– Hazardous waste treatment services	114,471	131,483
– Sale of refined chemical and other products	78,952	145,730
	<u>193,423</u>	<u>277,213</u>
Sale of dismantled products	<u>35,302</u>	<u>51,694</u>
	<u>1,494,793</u>	<u>1,235,547</u>
<b>Revenue from other source</b>		
Environmental decommissioning fees income	<u>51,209</u>	<u>51,527</u>
	<u>1,546,002</u>	<u>1,287,074</u>
<b>Other income and gains, net</b>		
Interest income	8,274	6,033
Foreign exchange differences, net	2,242	71
Government grants	7,348	3,060
VAT refunds	6,729	11,534
Consultancy services provided	857	5,907
Gain on disposal of subsidiaries	–	2,841
Others	3,854	866
	<u>29,304</u>	<u>30,312</u>

#### 4. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited) (Restated)
Cost of inventories sold	<b>113,319</b>	153,282
Cost of services provided	<b>919,375</b>	761,496
Depreciation of property, plant and equipment	<b>109,709</b>	85,499
Depreciation of right-of-use assets	<b>17,056</b>	13,592
Amortisation of intangible assets	<b>307</b>	185
Amortisation of operating concessions*	<b>5,364</b>	2,594
Reversal of impairment losses of trade receivables, net	<b>(1,022)</b>	(261)
Write-down of inventories to net realisable value	<b>2,285</b>	3,263
Gain on disposal of items of property, plant and equipment	<b>(29)</b>	(540)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Salaries and benefits in kind	<b>549,178</b>	465,369
Pension scheme contributions	<b>43,646</b>	86,507
	<b>592,824</b>	551,876

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

#### 5. FINANCE COSTS

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited) (Restated)
Interest on bank borrowings	<b>30,593</b>	28,914
Interest on other loans	<b>2,278</b>	3,792
Interest on lease liabilities	<b>4,242</b>	3,618
Total interest on bank and other borrowings	<b>37,113</b>	36,324
Increase in discounted amounts of provision for major overhaul arising from the passage of time	<b>121</b>	120
Total finance costs	<b>37,234</b>	36,444
Less: Interest capitalised	<b>(1,057)</b>	(2,950)
	<b>36,177</b>	33,494

## 6. INCOME TAX

No provision for Hong Kong profits tax has been made during the six months ended 30 June 2020 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2019: Nil).

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

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
		(Restated)
Current – Mainland China charge for the period	<b>81,747</b>	48,988
Deferred	<b>395</b>	(182)
Total tax charge for the period from continuing operations	<b>82,142</b>	48,806
Total tax charge for the period from a discontinued operation	–	–
	<b>82,142</b>	48,806

## 7. DISCONTINUED OPERATION

Pursuant to an equity interest transfer agreement entered into between the Group, Beijing Enterprises Binnan (Chongqing) Urban Services Company Limited (北控濱南(重慶)城市綜合服務股份有限公司) (“**Binnan Group**”) and the non-controlling shareholders of Binnan Group, on 30 August 2019, the Group agreed to sell its 51% equity interest in Binnan Group to the non-controlling shareholder for a cash consideration of approximately RMB75.3 million. The disposal was completed on 21 October 2019. Accordingly, the condensed consolidated statement of profit or loss and the condensed consolidated statement of cash flows have been presented consistently for the discontinued operation throughout the period to conform with the presentation for the six months ended 30 June 2019.

The result of Binnan Group for the six months ended 30 June 2019 is presented below:

	For the six months ended 30 June 2019 <i>HK\$'000</i> <i>(Audited)</i>
Revenue	188,209
Cost of sales	(169,494)
Other income and gain	465
Administrative expenses	(27,897)
Other expenses	(248)
Finance costs	(3,295)
	<hr/>
Loss for the period from a discontinued operation	(12,260)
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## 8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the six months ended 30 June 2020 attributable to shareholders of the Company and the profit from continuing operations attributable to shareholders of the Company, and the weighted average number of ordinary shares of 3,530,769,231 in issue during the six months ended 30 June 2020 (the weighted average number of ordinary shares of 2,700,000,000 used for the six months ended 30 June 2019 has assumed that the issue of new shares (note 14) of the Company had been completed on 1 January 2019).

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

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

<b>Earnings</b>	<b>For the six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
		<b>(Restated)</b>
(i) For profit for the period:		
Profit for the period attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	<u>217,816</u>	<u>120,694</u>
(ii) For profit for the period from continuing operations:		
Profit for the period from continuing operations attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	<u>217,816</u>	<u>126,947</u>
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares, used in the basic and diluted earnings per share calculations	<u>3,530,769,231</u>	<u>2,700,000,000</u>

## 9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2020 nor has any dividend been proposed since the end of the reporting period up to the date of this announcement (six months ended 30 June 2019: Nil).



## 10. TRADE AND BILLS RECEIVABLES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade receivables	895,050	802,140
Less: impairment	<u>(1,474)</u>	<u>(2,541)</u>
	<u>893,576</u>	<u>799,599</u>
Bills receivables	<u>1,429</u>	<u>396</u>
	<u>895,005</u>	<u>799,995</u>
Portion classified as current assets	<u>(829,427)</u>	<u>(775,332)</u>
Non-current portion	<u>65,578</u>	<u>24,663</u>

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

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

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Within 1 month	311,588	343,293
1 to 2 months	167,630	117,803
2 to 3 months	115,259	65,349
Over 3 months	<u>233,521</u>	<u>248,491</u>
	<u>827,998</u>	<u>774,936</u>
Unbilled	<u>65,578</u>	<u>24,663</u>
	<u>893,576</u>	<u>799,599</u>

## 11. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Environmental decommissioning fees receivable	<b>248,504</b>	219,460

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

The Group does not hold any collateral over these balances.

## 12. TRADE AND BILLS PAYABLES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade payables	<b>162,009</b>	126,821
Bills payable	<b>32,967</b>	33,708
	<b>194,976</b>	160,529

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

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Within 1 month	<b>110,644</b>	89,516
1 to 2 months	<b>4,347</b>	3,899
2 to 3 months	<b>15,853</b>	3,738
Over 3 months	<b>31,165</b>	29,668
	<b>162,009</b>	126,821

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

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

	<b>30 June 2020</b>	31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Secured bank loans	<b>823,686</b>	741,962
Unsecured bank loans	<b>371,587</b>	587,452
Secured other loan	<b>45,510</b>	54,517
Unsecured other loans	<b>10,444</b>	5,850
	<hr/>	<hr/>
Total bank and other borrowings	<b>1,251,227</b>	1,389,781
	<hr/>	<hr/>
Portion classified as current liabilities	<b>(569,602)</b>	(563,950)
	<hr/>	<hr/>
Non-current portion	<b>681,625</b>	825,831
	<hr/>	<hr/>

### 14. SHARE CAPITAL

	<i>Notes</i>	<b>Number of ordinary shares of HK\$0.1 each</b>	<b>Nominal value of ordinary shares HK\$'000</b>
Authorised:			
At 26 March 2019 (date of incorporation), 31 December 2019, and 30 June 2020	<i>(i)</i>	<b>30,000,000,000</b>	<b>3,000,000</b>
		<hr/>	<hr/>
		<b>Number of shares in issue of HK\$0.1 each</b>	<b>Share capital HK\$'000</b>
Issue and fully paid:			
At 26 March 2019 (date of incorporation), 31 December 2019	<i>(ii)</i>	2,700,000,000	270,000
Issue of new shares pursuant to the Share Offer	<i>(iii)</i>	900,000,000	90,000
		<hr/>	<hr/>
At 30 June 2020		<b>3,600,000,000</b>	<b>360,000</b>
		<hr/>	<hr/>

*Notes:*

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

On 26 March 2019, 13,499,999,999 ordinary shares of HK\$0.10 each were allotted and issued as nil-paid to the then shareholders of Mind Light Holdings Limited (“**Mind Light**”), the then ultimate holding company of the Group.

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

Pursuant to a shareholders’ resolution dated 15 April 2019 and a directors’ resolution dated 15 April 2019, a total of 10,800,000,000 shares were surrendered by the then shareholders, which were subsequently cancelled. Upon completion of the surrender of shares, the issued share capital of the Company became HK\$270,000,000 representing 2,700,000,000 shares of HK\$0.1 each and the shareholding percentages held by each of the then shareholders remained the same.

- (iii) In connection with the listing of shares of the Company on the Main Board of the Stock Exchange (the “**Share Offer**”), 900,000,000 new ordinary shares of HK\$0.1 each were issued at a price of HK\$0.69 per share for a total cash consideration, before expenses, of HK\$621,000,000. Dealings in the shares of the Company on the Stock Exchange commenced on 15 January 2020.

## **15. COMPARATIVE AMOUNTS**

As further explained in note 7 to the condensed consolidated financial information, the comparative condensed consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operation discontinued during the prior period had been discontinued at the beginning of the comparative period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL HIGHLIGHTS

The analysis of the Group's financial results, by business segments, for the six months ended 30 June 2020 and 2019 is set out in details below:

	Revenue			Gross profit margin			Profit attributable to shareholders of the Company from continuing operations		
	2020 HK\$'000	2019 HK\$'000	Change %	2020 %	2019 %	Change %	2020 HK\$'000	2019 HK\$'000	Change %
Environment hygiene services	1,266,068	906,640	39.6%	31.8%	24.1%	7.7%	211,151	86,152	145.1%
<b>Hazardous waste treatment business</b>									
– Hazard-free waste disposal projects	113,355	155,176	(27.0)%	46.2%	51.9%	(5.7)%	22,190	32,571	(31.9)%
– Recycling and reuse projects	80,068	122,037	(34.4)%	30.8%	33.9%	(3.1)%	17,121	32,558	(47.4)%
Subtotal	193,423	277,213	(30.2)%	39.8%	44.0%	(4.2)%	39,311	65,129	(39.6)%
Others	86,511	103,221	(16.2)%	32.1%	28.5%	3.6%	12,032	10,596	13.6%
<b>Business results</b>	<b>1,546,002</b>	<b>1,287,074</b>	20.1%	<b>32.9%</b>	28.7%	4.2%	<b>262,494</b>	<b>161,877</b>	62.2%
Corporate and other unallocated income and expenses, net							(44,678)	(34,930)	27.9%
<b>Total</b>							<b>217,816</b>	<b>126,947</b>	71.6%

## **BUSINESS REVIEW**

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

### **Environmental hygiene services**

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

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

In line with common practice in the environmental hygiene service industry, the relevant market is classified into two sectors, namely the government agency sector and the enterprise sector. The enterprise sector accounted for 11.6% of the total market in 2014. The share of the enterprise sector as a percentage of the total market was 47.3% in 2019, and is expected to further increase to 74.9% in 2024.

As at 30 June 2020, the Group had 107 environmental hygiene services projects, the movements of which, during the six months ended 30 June 2020, are as follow:

	<b>Number of projects</b>
As at 1 January 2020	97
Newly added	13
Terminated/ceased to operate	(3)
As at 30 June 2020	<b>107</b>

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

<b>Operating Models</b>	<b>Number of projects</b>
Operation & Maintenance (“O&M”)	97
Public-Private-Partnership (“PPP”)	
• Build-Transfer-Operate	7
• Transfer-Operate-Transfer	3
	<hr/>
Total	<b>107</b>

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

During the six months ended 30 June 2020, the Group successfully won a total of 13 environmental hygiene service projects through public tenders with total contract value and estimated annual revenue amounting to approximately RMB8.0 billion and RMB724.2 million, respectively (equivalent to approximately HK\$8.9 billion and HK\$804.7 million, respectively). During the six months ended 30 June 2020, the Group had recorded a total amount of approximately HK\$151.8 million as revenue in respect of these 13 projects.

As at 30 June 2020, the Group had a total contracted area of approximately 177.5 million sq.m. (31 December 2019: 150.3 million sq.m.) with its environmental hygiene service projects, which created an average revenue of approximately HK\$6.2 per sq.m. (six months ended 30 June 2019: HK\$5.5 per sq.m.).

## **Hazardous waste treatment business**

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

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

As at 30 June 2020, the Group had 7 hazardous waste treatment projects in operation and 1 hazardous waste treatment project in trial operation. As of 30 June 2020, treatment facilities of our projects that engaged in hazard-free waste disposal had a total designed treatment capacity of 247,342 tons per annum (31 December 2019: 370,396 tons). Treatment facilities of projects that engaged in recycling and reuse had a total designed treatment capacity of 250,000 tons per annum (31 December 2019: 250,000 tons), as of the same date. As of 30 June 2020, the Group also had 4 projects under construction and 3 projects planned for future construction.

## **Other business**

Our other business represents waste electrical and electronic equipment treatment business. As of 30 June 2020, 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 dismantled equipment include computers, refrigerators, television sets, washing machines and air conditioners.

For the six months ended 30 June 2020, revenue from our waste electrical and electronic equipment treatment business amounted to approximately HK\$86.5 million (six months ended 30 June 2019: HK\$103.2 million), representing approximately 5.6% (six months ended 30 June 2019: 8.0%) of our total revenue.



## FINANCIAL PERFORMANCE

### Revenue and gross profit margin

The Group's total revenue from continuing operations increased to HK\$1,546.0 million for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$1,287.1 million), primarily due to increased revenue from the Group's environmental hygiene services projects.

#### *Environmental hygiene services*

During the six months ended 30 June 2020, the Group recorded a total revenue of HK\$ 1,266.1 million (six months ended 30 June 2019: HK\$906.6 million) from its environmental hygiene services projects. As at 30 June 2020, the Group had a total of 107 environmental hygiene services projects (30 June 2019: 80).

The gross profit margin of the Group's environmental hygiene services projects increased significantly from 24.1% for the six months ended 30 June 2019 to 31.8% for the six months ended 30 June 2020, mainly because of:

- (i) increase in relief related to value-added-tax (“**VAT Relief**”) granted by the local government in the People's Republic of China (the “**PRC**”) due to the COVID-19 pandemic in the amount of approximately HK\$63.8 million (before taking into account the effect of corporate income tax and non-controlling interests of the respective projects), which resulted in the increase in revenue recognized;
- (ii) increase in the relief related to the reduction of the Group's social welfare and security contributions and other relief (“**Other Relief**”) granted by the local government in the PRC due to the COVID-19 pandemic in the amount of approximately HK\$23.7 million (before taking into account the effect of corporate income tax and non-controlling interests of the respective projects), which resulted in the decrease in cost of sales; and
- (iii) increase in the gross profit margin, excluding the effect on the reliefs as mentioned in (i) and (ii) above, from the Group's environmental hygiene service projects from approximately 24.1% for the six months ended 30 June 2019 to approximately 26.3% for the six months ended 30 June 2020.

The following table sets forth the financial impacts of the VAT Relief and the Other Relief on the revenue and gross profit margin of the Group's environmental hygiene services projects for the six months ended 30 June 2020:

Environmental hygiene services	<b>For the six months ended 30 June</b>	
	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	<b>1,266,068</b>	906,640
Less: VAT Relief	<b>(63,793)</b>	–
Revenue excluding VAT Relief	<b><u>1,202,275</u></b>	<u>906,640</u>
Cost of sales	<b>862,885</b>	688,230
Add: Other Relief	<b>23,657</b>	–
Costs of sales excluding Other Relief	<b><u>886,542</u></b>	<u>688,230</u>
Gross profit excluding VAT Relief and Other Relief	<b>315,733</b>	218,410
Gross profit margin excluding VAT Relief and Other Relief	<b><u>26.3%</u></b>	<u>24.1%</u>

### *Hazardous waste treatment services*

During the six months ended 30 June 2020, the Group recorded a total revenue of HK\$193.4 million (six months ended 30 June 2019: HK\$277.2 million) from its hazardous waste treatment services projects. Due to the out-break of the COVID-19 pandemic in early 2020, the businesses of the customers of the Group's hazardous waste treatment services projects were seriously affected, which in turn led to the decrease in the Group's revenue.

The Group's gross profit margin of its hazardous waste treatment services projects decreased from 44.0% for the six months ended 30 June 2019 to 39.8% for the six months ended 30 June 2020, mainly due to drop in the average sales price.

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		
	Six months		Change	Six months		Change	Six months		Change
	ended 30 June 2020	2019		ended 30 June 2020	2019		ended 30 June 2020	2019	
Revenue (HK\$'000)	<b>113,355</b>	155,176	(27.0)%	<b>80,068</b>	122,037	(34.4)%	<b>193,423</b>	277,213	(30.2)%
Less: Disposed subsidiaries	-	(37,027)	N/A	-	-	-	-	(37,027)	N/A
	<b>113,355</b>	118,149*	(4.1)%	<b>80,068</b>	122,037	(34.4)%	<b>193,423</b>	240,186*	(19.5)%
Actual treatment/ sale volume (tons)	<b>39,175</b>	32,054	22.2%	<b>28,458</b>	36,944	(23.0)%	<b>67,633</b>	68,998	(2.0)%
Average sales price (HK\$)	<b>2,894</b>	3,686	(21.5)%	<b>2,814</b>	3,303	(14.8)%	<b>2,860</b>	3,481	(17.8)%

\* Excluding revenue generated from disposed subsidiaries in the amount of approximately HK\$37.0 million for analysis purposes.

The actual treatment of the Group's hazard-free waste disposal projects increased from 32,054 tons for the six months ended 30 June 2019 to 39,175 tons for the six months ended 30 June 2020, whereas the average sales price decreased from HK\$3,686 per ton for the six months ended 30 June 2019 to HK\$2,894 per ton for the six months ended 30 June 2020.

The sales volume of the Group's recycling and reuse projects decreased from 36,944 tons for the six months ended 30 June 2019 to 28,458 tons for the six months ended 30 June 2020, and the average sales price decreased from HK\$3,303 per ton for the six months ended 30 June 2019 to HK\$2,814 per ton for the six months ended 30 June 2020 mainly because of the drop in the market price of methanol during the period.

### *Administrative expenses*

Administrative expenses for the six months ended 30 June 2020 decreased to HK\$138.1 million, as compared to the corresponding period in 2019 of HK\$140.7 million. The decrease was mainly due to certain of the relief related to the social welfare and security contributions granted by the local government recognised as administrative expenses in the amount of HK\$5.8 million during the six months ended 30 June 2020.

### *Finance costs*

Finance costs mainly represented interests on bank and other borrowings of HK\$36.2 million (six months ended 30 June 2019: HK\$33.5 million). The increase in finance costs was mainly due to the increase in bank and other borrowings during the six months ended 30 June 2020.

### *Income tax expense*

The income tax expense increased from HK\$48.8 million for the six months ended 30 June 2019 to HK\$82.1 million for the six months ended 30 June 2020, mainly because of the increase in the operating taxable profits of the Group's environmental hygiene services projects.

### *Discontinued operations*

The Group disposed of its 51% equity interests in Binnan Group in October 2019. For further details, please refer to note 7 to the condensed consolidated financial information in this announcement.

### *Property, plant and equipment*

Property, plant and equipment consist of buildings, plant and machinery, furniture, fixtures and equipment, motor vehicles and construction on progress. The increase in property, plant and equipment during the six months ended 30 June 2020 was mainly due to the net effect of (i) purchase of motor vehicles for environmental hygiene services projects in the amount of HK\$264.1 million; (ii) additions of construction in progress for hazardous waste treatment business in the amount of HK\$135.7 million; and (iii) depreciation provided during the six months ended 30 June 2020 in the amount of HK\$109.7 million.

### *Right-of-use-assets*

Right-of-use assets consist of buildings, motor vehicles and prepaid land lease premium. Increase in right-of-use assets was mainly due to net effect of (i) additions in buildings of HK\$51.2 million; (ii) additions in prepaid land lease premium of HK\$41.6 million; and (iii) amortisation of HK\$17.1 million.

### *Goodwill*

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

### *Operating concessions*

Operating concessions represented arrangements involving the Group as a provider of environmental hygiene services on behalf of the relevant government agencies. Decrease in operating concessions was due to amortisation of HK\$5.4 million.

### *Trade and bills receivables*

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

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

	<b>30 June 2020</b>	31 December 2019
Average trade and bills receivable turnover days on continuing operations ( <i>days</i> )	<u>100</u>	<u>92</u>

### *Environmental decommissioning fee receivable*

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

### *Contract assets*

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

### *Prepayments, deposit and other receivables*

Decrease in prepayments, deposit and other receivables was mainly due to (i) decrease of HK\$4.6 million in the guarantee deposits held by customers for environmental hygiene services projects; (ii) decrease of HK\$24.6 million in the prepayments for acquisition of land use rights for hazardous waste treatment business projects; and (iii) decrease of HK\$22.0 million in the prepayments for acquisition of property, plant and equipment.

### *Trade and bills payables*

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

### *Other payables and accruals*

Other payables and accruals mainly represented payable for acquisition of property, plant and equipment, accruals for the Group's expenses and lease liabilities. The increase was mainly due to the addition of payables for acquisition of property, plant and equipment during the period.

### *Interest-bearing bank and other borrowings*

Decrease in bank and other borrowings was mainly due to repayment of bank borrowings during the six months ended 30 June 2020.

### *Liquidity and financial resources*

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

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately HK\$1,387.3 million (31 December 2019: approximately HK\$1,051.9 million).

The Group's bank and other borrowings amounted to HK\$1,251.2 million (31 December 2019: HK\$1,389.8 million). Over 90% of bank and other borrowings bear interest at floating rates.

As at 30 June 2020, the Group had net-cash on hand whereas the net gearing ratio (defined as bank and other borrowings, net of cash and cash equivalents, divided by the total equity) as at 31 December 2019 was 15.0%.

### *Capital expenditure*

During the six months ended 30 June 2020, the Group's total capital expenditures were HK\$513.9 million (six months ended 30 June 2019: HK\$424.7 million), out of which HK\$420.3 million and HK\$93.6 million (six months ended 30 June 2019: HK\$270.6 million and HK\$84.4 million) were paid for the additions of property, plant and equipment and right-of-use assets, respectively. In addition, during the six months ended 30 June 2019, the Group paid HK\$67.8 million and HK\$1.9 million in respect of additions of operating concession and other intangible assets, respectively.

### **FUTURE OUTLOOK**

Looking forward, the ongoing COVID-19 pandemic brings uncertainties to the PRC economic environment. Nevertheless, due to rapid implementations of contingency measures to control the spread of COVID-19 in the PRC, the operating environment is expected to improve considerably in the second half of 2020.

In respect of the Group's environmental hygiene services business, the Group intends to participate in more tendering process for new projects, expand into new markets and seek the opportunities to expand the services to certain related business areas, such as recycling, sorting, greenway maintenance and reuse of municipal waste as a result of increasing urbanization in China and privatization of environmental hygiene service. In addition, the Group will strategically look for projects located in areas where the Group has established similar projects or in adjacent areas so that the Group can make good use of its knowledge of the local areas and business advantages.

Although the Group's hazardous waste treatment services business was adversely affected in the first few months of 2020 due to the outbreak of the COVID-19 pandemic, a trend of improving business was noted in the second and third quarter of 2020. The effective control measures taken by the PRC government have lead to the recovery of the economy and it is expected that the recovery trend will continue in the second half of 2020.

## USE OF PROCEEDS FROM LISTING

The Company's shares have been listed on the Main Board of the Stock Exchange since 15 January 2020 (the "**Listing Date**"). The net proceeds from the share offer (after deducting listing expenses) amounted to approximately HK\$603.4 million (the "**IPO Proceeds**"). The IPO Proceeds is intended to be applied in accordance with the proposed application as set out in the prospectus of the Company dated 30 December 2019 (the "**Prospectus**"). Up to 30 June 2020, the IPO Proceeds were utilised as follow:

	Intended use of proceeds <i>HK\$ million</i>	Actual amount utilised from Listing Date to 30 June 2020 <i>HK\$ million</i>	Unutilised amount as at 30 June 2020 <i>HK\$ million</i>
Purchase of equipment and facilities for hazardous waste treatment projects	215.7	23.1	192.6
Construction of buildings for hazardous waste treatment projects	90.0	90.0	–
Purchase of motor vehicles for environmental hygiene services	97.9	97.9	–
Repayment of bank borrowing	150.0	150.0	–
General working capital	49.8	12.5	37.3
Total	<u>603.4</u>	<u>373.5</u>	<u>229.9</u>

The unutilised IPO Proceeds were deposited with licensed banks in Hong Kong and the PRC.

## CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings of the Group as at 30 June 2020 are secured by:

- (i) pledges over the Group's equity interest in subsidiaries and a non-controlling shareholder's equity interest in a subsidiary as at 30 June 2020 and 31 December 2019; and
- (ii) pledges over certain of the Group's property, plant and equipment, right-of-use assets and operating concession rights as at 30 June 2020 and 31 December 2019.

Save as disclosed above, as at 30 June 2020, the Group did not have any charges on the Group's assets.



## **CONTINGENT LIABILITIES**

As at the end of the reporting period, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

## **FOREIGN EXCHANGE EXPOSURE**

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a(n) increase/decrease in the Group's net asset value. During the six months ended 30 June 2020, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2020, the Group employed 36,094 employees (30 June 2019: 32,071 employees) with total staff cost of approximately HK\$592.8 million incurred for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$551.9 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 six months ended 30 June 2020.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company from the Listing Date to 30 June 2020.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Company strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders' interests. In the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) from the Listing Date to 30 June 2020.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all the Directors, all the Directors have confirmed that they have complied with the required standard set out in the Model Code from the Listing Date to 30 June 2020.

## **AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS**

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors namely Mr. Wu Tak Kong (the chairman of the Audit Committee), Mr. Orr Ka Yeung, Kevin and Dr. Du Huanzheng. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control of the Company. The interim results of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of the Listing Rules have been complied with, in the preparation of relevant results, and sufficient disclosures have been made.

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

There was no other important event affecting the Group since 30 June 2020 and up to the date of this announcement.

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

This interim results announcement is published on the websites of the Company (www.beur.net.cn) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

## **APPRECIATION**

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

By Order of the Board  
**Beijing Enterprises Urban Resources Group Limited**  
**Zhao Kexi**  
*Executive Director and Chief Executive Officer*

Hong Kong, 27 August 2020

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