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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 2021

HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$2,110.9 million, representing an increase of approximately 36.5% as compared with that of approximately HK\$1,546.0 million in last period.
- Profit for the period attributable to shareholders of the Company increased by approximately 14.1% to approximately HK\$248.5 million for the six months ended 30 June 2021 as compared to approximately HK\$217.8 million for last period.
- Basic and diluted earnings per share for the six months ended 30 June 2021 were approximately HK6.90 cents (six months ended 30 June 2020: HK6.17 cents).
- The Group's revenue from environmental hygiene services increased by approximately 29.3% to approximately HK\$1,636.6 million for the six months ended 30 June 2021 as compared with that of approximately HK\$1,266.1 million in last period.
- The Group's revenue from hazardous waste treatment services increased by approximately 76.3% to approximately HK\$341.0 million for the six months ended 30 June 2021 as compared with that of approximately HK\$193.4 million in last period.
- Net cash flows from operating activities for the six months ended 30 June 2021 was approximately HK\$357.4 million (six months ended 30 June 2020: HK\$378.7 million).
- Cash and cash equivalents of the Group amounted to approximately HK\$1,895.7 million as at 30 June 2021.

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 2021 and the unaudited interim condensed consolidated statement of financial position as at 30 June 2021, together with comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		For the six months ended 30 June	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	3	2,110,876	1,546,002
Cost of sales		(1,492,113)	(1,038,058)
Gross profit		618,763	507,944
Other income and gains, net	3	42,699	29,304
Administrative expenses		(196,205)	(138,132)
Selling and distribution expenses		(15,196)	(6,222)
Other expenses		(7,713)	(5,890)
Finance costs	5	(38,407)	(36,177)
Share of profit of a joint venture		3,308	2,326
PROFIT BEFORE TAX	4	407,249	353,153
Income tax expense	6	(100,715)	(82,142)
PROFIT FOR THE PERIOD		306,534	271,011
Attributable to:			
Owners of the parent		248,533	217,816
Non-controlling interests		58,001	53,195
		306,534	271,011
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	7		
Basic and diluted		HK6.90 cents	HK6.17 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	306,534	271,011
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>52,489</u>	<u>(68,772)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>359,023</u>	<u>202,239</u>
Attributable to:		
Owners of the parent	292,847	155,034
Non-controlling interests	<u>66,176</u>	<u>47,205</u>
	<u>359,023</u>	<u>202,239</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	<i>Notes</i>	30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2020 <i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,464,299	2,283,033
Right-of-use assets		389,793	395,842
Goodwill		298,891	295,482
Operating concessions		257,599	282,873
Other intangible assets		5,464	4,766
Prepayments, deposits and other receivables		94,684	69,519
Investment in a joint venture		39,483	37,223
Equity investment designated at fair value through other comprehensive income		6,024	5,952
Receivables under service concession arrangements	9	81,834	87,202
Trade receivables	10	35,246	34,826
Contract assets		62,890	60,818
Deferred tax assets		29,122	21,777
		3,765,329	3,579,313
CURRENT ASSETS			
Inventories		66,956	47,135
Receivables under service concession arrangements	9	21,472	14,835
Trade and bills receivables	10	1,232,225	1,097,393
Environmental decommissioning fees receivable	11	381,865	329,439
Contract assets		4,972	7,001
Other tax recoverable		211,635	173,904
Prepayments, deposits and other receivables		140,291	106,483
Due from related companies		10,443	4,059
Due from non-controlling shareholders		16,019	18,428
Restricted cash and pledged deposits		9,939	15,051
Cash and cash equivalents		1,895,694	1,725,283
		3,991,511	3,539,011
Total current assets		3,991,511	3,539,011
TOTAL ASSETS		7,756,840	7,118,324

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2021

	<i>Notes</i>	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	12	237,595	233,226
Other payables and accruals		810,640	966,421
Other taxes payable		70,032	30,523
Income tax payable		48,358	58,731
Due to related companies		3,908	1,310
Due to non-controlling shareholders		38,916	45,688
Interest-bearing bank and other borrowings	13	706,177	986,070
		<u>1,915,626</u>	<u>2,321,969</u>
Total current liabilities		1,915,626	2,321,969
		<u>2,075,885</u>	<u>1,217,042</u>
NET CURRENT ASSETS		2,075,885	1,217,042
		<u>5,841,214</u>	<u>4,796,355</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,841,214	4,796,355
NON-CURRENT LIABILITIES			
Deferred income		166,133	169,826
Other payables and accruals		121,392	119,449
Deferred tax liabilities		31,762	31,380
Interest-bearing bank and other borrowings	13	1,591,546	772,568
Provision for major overhauls		37,359	36,067
		<u>1,948,192</u>	<u>1,129,290</u>
Total non-current liabilities		1,948,192	1,129,290
		<u>3,893,022</u>	<u>3,667,065</u>
NET ASSETS		3,893,022	3,667,065
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	360,000	360,000
Reserves		2,835,965	2,651,527
		<u>3,195,965</u>	<u>3,011,527</u>
Non-controlling interests		697,057	655,538
		<u>3,893,022</u>	<u>3,667,065</u>
TOTAL EQUITY		3,893,022	3,667,065

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash flows from operating activities	357,361	378,685
Net cash flows used in investing activities	(544,877)	(444,271)
Net cash flows from financing activities	<u>346,704</u>	<u>428,994</u>
Net increase in cash and cash equivalents	159,188	363,408
Cash and cash equivalents at beginning of period	1,725,283	1,051,896
Effect of foreign exchange rate changes, net	<u>11,223</u>	<u>(28,036)</u>
Cash and cash equivalents at end of period	<u>1,895,694</u>	<u>1,387,268</u>

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 2021 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 “**Audit Committee**”).

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

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 2020, which 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**”), except for the adoption of the 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 unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and Renminbi (“**RMB**”) based on the Hong Kong Interbank Offered Rate and Loan Prime Rate from the People's Bank of China, respectively, as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group.

2. OPERATING SEGMENT INFORMATION

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

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

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

	Environmental hygiene services for the six months ended 30 June		Hazardous waste treatment for the six months ended 30 June		Others for the six months ended 30 June		Total for the six months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Segment revenue (Note 3)	1,636,624	1,266,068	341,022	193,423	133,230	86,511	2,110,876	1,546,002
Cost of sales	<u>(1,188,760)</u>	<u>(862,885)</u>	<u>(204,265)</u>	<u>(116,442)</u>	<u>(99,088)</u>	<u>(58,731)</u>	<u>(1,492,113)</u>	<u>(1,038,058)</u>
Gross profit	447,864	403,183	136,757	76,981	34,142	27,780	618,763	507,944
Segment results	325,372	321,845	105,577	53,336	31,864	22,650	462,813	397,831
Corporate and other unallocated income and expenses, net:								
– Interest income							378	29
– Other corporate gains							385	29
– Finance costs							(11,438)	(10,207)
– Corporate and other unallocated expenses							(44,889)	(34,529)
							<u>(55,564)</u>	<u>(44,678)</u>
Profit before tax							407,249	353,153
Income tax expense							<u>(100,715)</u>	<u>(82,142)</u>
Profit for the period							306,534	271,011
Segmental profit for the period	238,111	251,045	98,156	44,088	25,831	20,556	362,098	315,689
Non-controlling interests	<u>(45,052)</u>	<u>(39,894)</u>	<u>(3,200)</u>	<u>(4,777)</u>	<u>(9,749)</u>	<u>(8,524)</u>	<u>(58,001)</u>	<u>(53,195)</u>
Owners of the parent	193,059	211,151	94,956	39,311	16,082	12,032	304,097	262,494
Corporate and other unallocated income and expenses, net							<u>(55,564)</u>	<u>(44,678)</u>
							248,533	217,816
Other segment information:								
Share of profit of a joint venture	–	–	3,308	2,326	–	–	3,308	2,326
Impairment losses recognised in the statement of profit or loss, net	3,613	–	1,589	1,199	–	64	5,202	1,263
Depreciation and amortisation	160,037	96,426	53,215	32,569	4,609	3,441	217,861	132,436
Capital expenditure*	146,105	352,051	213,835	161,050	2,923	762	362,863	513,863

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

Information about major customers

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

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

3. REVENUE, OTHER INCOME AND GAINS, NET

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

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contract customers		
Environmental hygiene services businesses		
– Environmental hygiene services	1,628,411	1,256,574
– Construction services	8,213	9,494
	<u>1,636,624</u>	<u>1,266,068</u>
Hazardous waste treatment businesses		
– Hazardous waste treatment services	221,476	113,355
– Sale of refined chemical and other products	119,546	80,068
	<u>341,022</u>	<u>193,423</u>
Sale of dismantled products	<u>78,200</u>	<u>35,302</u>
	<u>2,055,846</u>	<u>1,494,793</u>
Revenue from other source		
Environmental decommissioning fees income	<u>55,030</u>	<u>51,209</u>
	<u>2,110,876</u>	<u>1,546,002</u>
Other income and gains, net		
Interest income	8,742	8,274
Foreign exchange differences, net	–	2,242
Government grants	7,457	7,348
VAT refunds	6,124	6,729
Consultancy services provided	16,741	857
Others	3,635	3,854
	<u>42,699</u>	<u>29,304</u>

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cost of inventories sold	177,268	113,319
Cost of services provided	1,284,740	919,375
Depreciation of property, plant and equipment	170,809	109,709
Depreciation of right-of-use assets	16,581	17,056
Amortisation of intangible assets	366	307
Amortisation of operating concessions*	30,105	5,364
Impairment losses/(reversal of impairment losses) of trade receivables, net [#]	3,613	(1,022)
Write-down of inventories to net realisable value [#]	1,589	2,285
Gain on disposal of items of property, plant and equipment	(1,246)	(29)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Salaries and benefits in kind	757,217	549,178
Pension scheme contributions	104,349	43,646
	<u>861,566</u>	<u>592,824</u>

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

[#] Included in "Other expenses" in the condensed consolidated statements of profit or loss.

5. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	40,318	30,593
Interest on other loans	241	2,278
Interest on lease liabilities	3,908	4,242
	<hr/>	<hr/>
Total interest on bank and other borrowings	44,467	37,113
Increase in discounted amounts of provision for major overhaul arising from the passage of time	858	121
	<hr/>	<hr/>
Total finance costs	45,325	37,234
Less: Interest capitalised	(6,918)	(1,057)
	<hr/>	<hr/>
	38,407	36,177
	<hr/>	<hr/>

6. INCOME TAX

No provision for Hong Kong profits tax has been made during the six months ended 30 June 2021 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2020: Nil).

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

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Mainland China charge for the period	107,542	81,747
Deferred	(6,827)	395
	<hr/>	<hr/>
Total tax charge for the period	100,715	82,142
	<hr/>	<hr/>

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the six months ended 30 June 2021 attributable to shareholders of the Company and the weighted average number of ordinary shares of 3,600,000,000 in issue during the six months ended 30 June 2021 (six months ended 30 June 2020: 3,530,769,231).

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

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

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	<u>248,533</u>	<u>217,816</u>
Number of ordinary shares		
Weighted average number of ordinary shares, used in the basic and diluted earnings per share calculations	<u>3,600,000,000</u>	<u>3,530,769,231</u>

8. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2021 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 2020: Nil).

9. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

	30 June 2021	31 December 2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Unbilled:		
Current portion	21,472	14,835
Non-current portion	<u>81,834</u>	<u>87,202</u>
	<u>103,306</u>	<u>102,037</u>

10. TRADE AND BILLS RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	1,251,284	1,123,563
Less: impairment	<u>(10,451)</u>	<u>(6,754)</u>
	<u>1,240,833</u>	<u>1,116,809</u>
 Bills receivables	 <u>26,638</u>	 <u>15,410</u>
	<u>1,267,471</u>	<u>1,132,219</u>
Portion classified as current assets	<u>(1,232,225)</u>	<u>(1,097,393)</u>
Non-current portion	<u>35,246</u>	<u>34,826</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:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 1 month	509,794	333,923
1 to 2 months	164,420	217,504
2 to 3 months	130,538	146,168
Over 3 months	<u>400,835</u>	<u>384,388</u>
	<u>1,205,587</u>	<u>1,081,983</u>
Unbilled	<u>35,246</u>	<u>34,826</u>
	<u>1,240,833</u>	<u>1,116,809</u>

11. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Environmental decommissioning fees receivable	381,865	329,439

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

The Group does not hold any collateral over these balances.

12. TRADE AND BILLS PAYABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables	203,764	225,936
Bills payable	33,831	7,290
	237,595	233,226

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 1 month	89,351	117,148
1 to 2 months	13,308	62,499
2 to 3 months	22,267	4,216
Over 3 months	78,838	42,073
	203,764	225,936

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Secured bank loans	1,181,814	912,532
Unsecured bank loans	1,091,929	809,030
Secured other loan	21,571	33,504
Unsecured other loans	2,409	3,572
	<hr/>	<hr/>
Total bank and other borrowings	2,297,723	1,758,638
	<hr/>	<hr/>
Portion classified as current liabilities	(706,177)	(986,070)
	<hr/>	<hr/>
Non-current portion	1,591,546	772,568
	<hr/>	<hr/>

14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Nominal value of ordinary shares HK\$'000
Authorised:		
At 1 January 2020, 31 December 2020 and 30 June 2021	30,000,000,000	3,000,000
	<hr/>	<hr/>
	Number of shares in issue of HK\$0.1 each	Share capital HK\$'000
Issue and fully paid:		
At 1 January 2020	2,700,000,000	270,000
Issue of new shares pursuant to the Share Offer (<i>Note</i>)	900,000,000	90,000
	<hr/>	<hr/>
At 31 December 2020 and 30 June 2021	3,600,000,000	360,000
	<hr/>	<hr/>

Note:

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

The analysis of the Group's financial results, by business segments, for the six months ended 30 June 2021 and 2020 is set out in details below:

	Revenue			Gross profit margin			Profit attributable to shareholders of the Company		
	2021 HK\$'000	2020 HK\$'000	Change %	2021 %	2020 %	Change %	2021 HK\$'000	2020 HK\$'000	Change %
Environment hygiene services	1,636,624	1,266,068	29.3%	27.4%	31.8%	(4.4)%	193,059	211,151	(8.6)%
Hazardous waste treatment business									
– Hazard-free waste disposal projects	221,476	113,355	95.4%	43.1%	46.2%	(3.1)%	61,919	22,190	179.0%
– Recycling and reuse projects	119,546	80,068	49.3%	34.6%	30.8%	3.8%	33,037	17,121	93.0%
Subtotal	341,022	193,423	76.3%	40.1%	39.8%	0.3%	94,956	39,311	141.6%
Others	133,230	86,511	54.0%	25.6%	32.1%	(6.5)%	16,082	12,032	33.7%
Business results	2,110,876	1,546,002	36.5%	29.3%	32.9%	(3.6)%	304,097	262,494	15.8%
Corporate and other unallocated income and expenses, net							(55,564)	(44,678)	24.4%
Total							248,533	217,816	14.1%

IMPACTS OF COVID-19

In 2020, there was an outbreak of an infectious respiratory disease named “COVID-19” by the World Health Organization, which is caused by a novel coronavirus. The PRC government has implemented various contingency measures and actions to prevent the spread of COVID-19 pandemic such as travel and work restrictions in certain provinces and municipalities in China. The COVID-19 pandemic outbreak has caused a significant adverse impact to the economic and business environment in the PRC in the first half of 2020, but with the successful implementation of those contingency measures, the PRC economy was gradually recovering from the second half of 2020.

In 2021, with the implementations of COVID-19 vaccination and other precautionary measures taken in the PRC, the PRC central government has safeguarded the public health and allowed the resuming of normal business activities during the six months ended 30 June 2021. The Group’s two core businesses, namely environmental hygiene services and hazardous waste treatment services, were not affected by the COVID-19 pandemic. Due to the increased capacity of the Group’s hazardous waste treatment projects and the recovery of the PRC economy, the revenue from the Group’s hazardous waste treatment business for the six months ended 30 June 2021 increased significantly by 76.3% as compared with corresponding period in 2020. During the same period, the Group’s revenue from the environmental hygiene services also increased by 29.3% as compared with corresponding period in 2020.

BUSINESS REVIEW

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

Environmental hygiene services

Environmental hygiene services refer to services in relation to environmental hygiene maintenance and management, such as road cleaning, garbage collection and transportation, garbage transportation station management, public toilet management and other services. Generally, 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 RMB165.3 billion in 2015 to RMB305.5 billion in 2020, and is expected to further increase to RMB351.5 billion and RMB548.7 billion in 2021 and 2025, respectively.

In line with common practice in the environmental hygiene service industry, the relevant market is classified into two sectors, namely the government agency sector and the enterprise sector. The enterprise sector accounted for only 15.2% of the total market in 2015. Whereas the share of the enterprise sector as a percentage of the total market increased to 54.4% in 2020, and is expected to further increase to 78.2% in 2025.

As at 30 June 2021, the Group had 113 environmental hygiene services projects, the movements of which, during the six months ended 30 June 2021, were as follow:

	Number of projects
As at 1 January 2021	113
Newly added	2
Terminated/ceased to operate	(2)
As at 30 June 2021	113

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

Operating Models	Number of projects
Operation & Maintenance (“ O&M ”)	108
Public-Private-Partnership (“ PPP ”)	
• Build-Transfer-Operate	1
• Transfer-Operate-Transfer	4
	<hr/>
Total	113
	<hr/>

Under the O&M model, the Group acts as a third-party professional municipal operator for operation and maintenance for its customers, i.e., the local government, which usually outsource the municipal projects whose construction has been completed or nearly completed to the Group. Under the PPP model, the Group enters into operating concession arrangements with the local government which regulate the scope and price of services that the Group provides by 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 2021, the Group successfully won a total of 2 environmental hygiene service projects through public tenders with estimated annual revenue amounting to approximately HK\$19.0 million. During the six months ended 30 June 2021, the Group had recorded a total amount of approximately HK\$750,000 as revenue in respect of these 2 projects.

As at 30 June 2021, the Group had a total contracted area of approximately 194.1 million sq.m. (31 December 2020: 194.4 million sq.m.) with its environmental hygiene service projects, which created an average revenue of approximately HK\$6.4 per sq.m. (six months ended 30 June 2020: HK\$6.2 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 2015 to 2020, the disposal volume of hazardous waste in China increased from 39.8 million tons to 83.0 million tons, representing a compound annual growth rate (“CAGR”) of 15.8%. 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 2021, the Group had 8 hazardous waste treatment projects in operation. As of 30 June 2021, treatment facilities of our projects that engaged in hazard-free waste disposal had a total designed treatment capacity of 351,016 tons per annum (31 December 2020: 338,718 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 2020: 250,000 tons), as of the same date. As of 30 June 2021, the Group also had 3 projects under construction and 3 projects planned for future construction.

Other business

Other business represents waste electrical and electronic equipment treatment business. As of 30 June 2021, 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 2021, revenue from our waste electrical and electronic equipment treatment business amounted to approximately HK\$133.2 million (six months ended 30 June 2020: HK\$86.5 million), representing approximately 6.3% (six months ended 30 June 2020: 5.6%) of the Group's total revenue.

FINANCIAL PERFORMANCE

Revenue and gross profit margin

The Group's total revenue increased to HK\$2,110.9 million for the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$1,546.0 million), primarily due to increased revenue from the Group's environmental hygiene services and hazardous waste treatment projects.

Environmental hygiene services

During the six months ended 30 June 2021, the Group recorded a total revenue of HK\$1,636.6 million (six months ended 30 June 2020: HK\$1,266.1 million) from its environmental hygiene services projects. As at 30 June 2021, the Group had a total of 113 environmental hygiene services projects (30 June 2020: 107).

The gross profit margin of the Group's environmental hygiene services projects decreased from 31.8% for the six months ended 30 June 2020 to 27.4% for the six months ended 30 June 2021, mainly because of:

- (i) decrease in relief related to value-added-tax (“**VAT Relief**”) granted by the local government in the PRC due to the COVID-19 pandemic from the amount of approximately HK\$63.8 million for the six months ended 30 June 2020 to HK\$38.9 million for the six months ended 30 June 2021 (before taking into account the effect of corporate income tax and non-controlling interests of the respective projects); and
- (ii) absence of 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 six months ended 30 June 2021 (six months ended 30 June 2020: HK\$23.7 million) (before taking into account the effect of corporate income tax and non-controlling interests of the respective projects).

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 2021:

Environmental hygiene services	For the six months ended 30 June	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	1,636,624	1,266,068
Less: VAT Relief	(38,939)	(63,793)
Revenue excluding VAT Relief	<u>1,597,685</u>	<u>1,202,275</u>
Cost of sales	1,188,760	862,885
Add: Other Relief	–	23,657
Costs of sales excluding Other Relief	<u>1,188,760</u>	<u>886,542</u>
Gross profit excluding VAT Relief and Other Relief	408,925	315,733
Gross profit margin excluding VAT Relief and Other Relief	<u>25.6%</u>	<u>26.3%</u>

Hazardous waste treatment services

During the six months ended 30 June 2021, the Group recorded a total revenue of HK\$341.0 million (six months ended 30 June 2020: HK\$193.4 million) from its hazardous waste treatment services projects. Due to the PRC government's successful implementation of contingency measures to prevent the spread of COVID-19 pandemic, the Group's customers have resumed their normal operational capacity and businesses have been recovering during the six months ended 30 June 2021.

The Group's gross profit margin of its hazardous waste treatment services projects slightly increased from 39.8% for the six months ended 30 June 2020 to 40.1% for the six months ended 30 June 2021.

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 2021	2020		ended 30 June 2021	2020		ended 30 June 2021	2020	
Revenue (HK\$'000)	221,476	113,355	95.4%	119,546	80,068	49.3%	341,022	193,423	76.3%
Actual treatment/ sale volume (tons)	106,643	39,175	172.2%	29,780	28,458	4.6%	136,423	67,633	101.7%
Average sales price (HK\$/ton)	2,077	2,894	(28.2)%	4,014	2,814	42.6%	2,500	2,860	(12.6)%

The actual treatment of the Group's hazard-free waste disposal projects increased from 39,175 tons for the six months ended 30 June 2020 to 106,643 tons for the six months ended 30 June 2021, whereas the average sales price decreased from HK\$2,894 per ton for the six months ended 30 June 2020 to HK\$2,077 per ton for the six months ended 30 June 2021.

The sales volume of the Group's recycling and reuse projects increased from 28,458 tons for the six months ended 30 June 2020 to 29,780 tons for the six months ended 30 June 2021, and the average sales price increased from HK\$2,814 per ton for the six months ended 30 June 2020 to HK\$4,014 per ton for the six months ended 30 June 2021 mainly because of the increase in the market price of methanol during the period.

Administrative expenses

Administrative expenses for the six months ended 30 June 2021 increased to HK\$196.2 million, as compared to the corresponding period in 2020 of HK\$138.1 million. The increase was mainly due to (i) increase in salaries, wages and welfare in the amount of HK\$38.6 million; (ii) increase in office expenses in the amount of HK\$10.4 million; and (iii) the increase in rental expenses in the amount of HK\$3.2 million as a result of continuous business expansion.

Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK\$38.4 million (six months ended 30 June 2020: HK\$36.2 million). The increase in finance costs was mainly due to the increase in interest-bearing bank borrowings during the six months ended 30 June 2021.

Income tax expense

The income tax expense increased from HK\$82.1 million for the six months ended 30 June 2020 to HK\$100.7 million for the six months ended 30 June 2021, mainly because of the increase in the operating taxable profits of the Group's environmental hygiene services and hazardous waste treatment projects.

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 2021 was mainly due to the net effect of (i) purchase of motor vehicles for environmental hygiene services projects in the amount of HK\$88.6 million; (ii) additions of construction in progress for hazardous waste treatment projects and environmental hygiene services projects in the amount of HK\$209.8 million; (iii) depreciation provided during the six months ended 30 June 2021 in the amount of HK\$170.8 million; and (iv) change in exchange rate differences on foreign exchange translation in the amount of HK\$22.9 million.

Right-of-use-assets

Right-of-use assets consist of buildings, motor vehicles and prepaid land lease premium. Decrease in right-of-use assets was mainly due to net effect of (i) additions of HK\$8.1 million; and (ii) amortisation of HK\$16.6 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 for a period of 15 to 28 years. Decrease in operating concessions was mainly due to the net effect of (i) addition of an operating concession arrangement in the amount of HK\$1.4 million; and (ii) amortisation of HK\$30.1 million charged to the consolidated statement of profit of loss.

Receivables under service concession arrangements

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

Trade and bills receivables

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

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

	30 June 2021	31 December 2020
Average trade and bills receivable turnover days (<i>days</i>)	103	100

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 environmental hygiene services projects. Increase in the contract assets was mainly due to certain construction services had been provided and completed.

Prepayments, deposit and other receivables

Increase in prepayments, deposit and other receivables was mainly due to (i) increase in the guarantee deposits held by customers for environmental hygiene services projects in the amount of HK\$8.9 million; (ii) increase in prepaid expenses in the amount of HK\$17.5 million; and (iii) increase in the prepayments for acquisition of property, plant and equipment in the amount of HK\$31.5 million.

Trade and bills payables

Trade and bills payables mainly represented payables due to third parties for the procurement of raw materials used for Group's hazardous waste treatment business and fuel used by Group's 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 decrease was mainly due to the decrease in payables for acquisition of property, plant and equipment in the amount of HK\$187.5 million.

Interest-bearing bank and other borrowings

Increase in bank and other borrowings was mainly due to drawdown of bank borrowings during the six months ended 30 June 2021 for the purposes of development in the Group's environmental hygiene services and hazardous waste treatment businesses.

Liquidity and financial resources

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

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately HK\$1,895.7 million (31 December 2020: approximately HK\$1,725.3 million).

As at 30 June 2021, the Group's bank and other borrowings amounted to HK\$2,297.7 million (31 December 2020: HK\$1,758.6 million).

The net gearing ratio (defined as bank and other borrowings, net of cash and cash equivalents, divided by the total equity) was 10.3% as at 30 June 2021 (31 December 2020: 0.9%). The increase in the net gearing ratio as at 30 June 2021 was mainly due to the drawdown of bank borrowings because of continuous business expansion.

Capital expenditure

During the six months ended 30 June 2021, the Group's total capital expenditures were HK\$362.9 million (six months ended 30 June 2020: HK\$513.9 million), out of which HK\$352.6 million, HK\$8.1 million, HK\$1.4 million and HK\$0.8 million (six months ended 30 June 2020: HK\$420.3 million, HK\$93.6 million, nil and nil) were paid for the additions of property, plant and equipment, right-of-use assets, operating concession and other intangible assets, respectively.

FUTURE OUTLOOK

The ongoing COVID-19 pandemic brings uncertainties to the PRC economic environment. However, with the implementations of COVID-19 vaccination and other precautionary measures taken in the PRC, the PRC central government has safeguarded the public health and allowed the resuming of normal business activities during the six months ended 30 June 2021.

In respect of the Group's environmental hygiene services business, the Group intends to participate in more tendering process for new projects, expands into new markets and seeks the opportunities to expand the services to certain related business areas, such as recycling, sorting, greenway maintenance and reuse of municipal waste as a result of increasing urbanization in the PRC. The Group's hazardous waste treatment services business is expected to continue to grow in the second half of 2021 due to the increased capacity of the Group's projects and the recovery of the PRC economy.

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings of the Group as at 30 June 2021 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 2021 and 31 December 2020; 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 2021 and 31 December 2020.

Save as disclosed above, as at 30 June 2021, 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 2020: 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 2021, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed 39,737 employees (30 June 2020: 36,094 employees) with total staff cost of approximately HK\$861.6 million incurred for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$592.8 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 2021.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 for the six months ended 30 June 2021.

IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REVIEW PERIOD

There was no other important event affecting the Group since 30 June 2021 and up to the date of this announcement.

USE OF PROCEEDS FROM LISTING

On 15 January 2020 (the “**Listing Date**”), 900,000,000 new ordinary shares with a par value of HK\$0.1 each of the Company were issued at a price of HK\$0.69 by way of share offer and the Company’s shares were listed on the Main Board of the Stock Exchange. The net proceeds from the share offer (after deducting listing expenses) amounted to approximately HK\$603.4 million (the “**IPO Proceeds**”) with a net price of approximately HK\$0.67 per share. The IPO Proceeds are intended to be applied in accordance with the proposed application as set out in the prospectus of the Company dated 30 December 2019. Up to 30 June 2021, the IPO Proceeds were utilised according to the intentions previously disclosed by the Company as follows:

	Intended use of proceeds <i>HK\$ million</i>	Actual amount utilised from Listing Date to 30 June 2021 <i>HK\$ million</i>	Unutilised amount as at 30 June 2021 <i>HK\$ million</i>	Expected timeline for utilising the unutilised amount
Purchase of equipment and facilities for hazardous waste treatment projects				
– Incineration system	191.1	179.9	11.2	
– Wastewater and liquid waste flocculation and purification system	11.2	11.2	–	
– Deodorization system	13.4	8.5	4.9	
Sub-total	215.7	199.6	16.1	Before end of 2021
Construction of buildings for hazardous waste treatment projects				
– Factory plants	78.7	78.7	–	
– Office buildings	11.3	11.3	–	
Sub-total	90.0	90.0	–	N/A
Purchase of garbage trucks for environmental hygiene services projects	97.9	97.9	–	N/A
Repayment of a bank borrowing in Hong Kong	150.0	150.0	–	N/A
General working capital	49.8	49.8	–	N/A
Total	603.4	587.3	16.1	

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

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**") throughout the six months ended 30 June 2021.

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 throughout the six months ended 30 June 2021.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive Directors namely Mr. Wu Tak Kong (the chairman of the Audit Committee), Mr. Orr Ka Yeung, Kevin and Dr. Du Huanzheng. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control of the Company. The interim results of the Group for the six months ended 30 June 2021 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.

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 2021 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 2021

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.