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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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$4,450.2 million for the year ended 31 December 2021, representing an increase of approximately 26.4% as compared with that of approximately HK\$3,520.0 million for the year ended 31 December 2020.
- Profit for the year attributable to shareholders of the Company increased by approximately 17.6% to approximately HK\$502.0 million for the year ended 31 December 2021 as compared to approximately HK\$426.8 million for the year ended 31 December 2020.
- Basic and diluted earnings per share for the year ended 31 December 2021 were approximately HK13.95 cents (31 December 2020: HK11.97 cents).
- The Group's revenue from environmental hygiene services increased by approximately 20.6% to HK\$3,402.1 million for the year ended 31 December 2021 as compared with that of approximately HK\$2,821.0 million for the year ended 31 December 2020.
- The Group's revenue from hazardous waste treatment services increased by approximately 47.1% to approximately HK\$710.4 million for the year ended 31 December 2021 as compared with that of approximately HK\$483.1 million for the year ended 31 December 2020.
- Net cash flows from operating activities for the year ended 31 December 2021 was approximately HK\$542.6 million (31 December 2020: HK\$672.9 million).
- A final dividend of HK3 cents per share is proposed for the year ended 31 December 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Enterprises Urban Resources Group Limited (the “**Company**”) is pleased to announce the consolidated annual results and cashflows of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 and the consolidated statement of financial position of the Group as at 31 December 2021, together with comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	3	4,450,165	3,520,047
Cost of sales		<u>(3,288,007)</u>	<u>(2,433,343)</u>
Gross profit		1,162,158	1,086,704
Other income and gains, net	3	104,812	70,335
Administrative expenses		(413,491)	(339,690)
Selling and distribution expenses		(37,412)	(15,952)
Other expenses		(16,350)	(26,833)
Finance costs	5	(83,267)	(72,034)
Share of profit of a joint venture		<u>2,608</u>	<u>1,247</u>
PROFIT BEFORE TAX	4	719,058	703,777
Income tax expense	6	<u>(136,893)</u>	<u>(163,365)</u>
PROFIT FOR THE YEAR		<u>582,165</u>	<u>540,412</u>
Attributable to:			
Owners of the parent		502,033	426,829
Non-controlling interests		<u>80,132</u>	<u>113,583</u>
		<u>582,165</u>	<u>540,412</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	7		
Basic and diluted		<u>HK13.95 cents</u>	<u>HK11.97 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021	2020
	HK\$'000	HK\$'000
PROFIT FOR THE YEAR	582,165	540,412
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
– Translation of foreign operations	111,152	229,249
– Release upon disposal of subsidiaries	<u>–</u>	<u>(397)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>693,317</u>	<u>769,264</u>
Attributable to:		
Owners of parent	595,368	611,311
Non-controlling interests	<u>97,949</u>	<u>157,953</u>
	<u>693,317</u>	<u>769,264</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,748,027	2,283,033
Right-of-use assets		415,393	395,842
Goodwill		302,383	295,482
Operating concessions		231,355	282,873
Other intangible assets		6,036	4,766
Prepayments, deposits and other receivables		82,507	69,519
Investment in a joint venture		40,594	37,223
Equity investment designated at fair value through other comprehensive income		6,098	5,952
Receivables under service concession arrangements	10	134,472	87,202
Trade receivables	11	32,807	34,826
Contract assets		31,891	60,818
Deferred tax assets		35,898	21,777
		<hr/>	<hr/>
Total non-current assets		4,067,461	3,579,313
CURRENT ASSETS			
Inventories		74,072	47,135
Receivables under service concession arrangements	10	21,867	14,835
Trade and bills receivables	11	1,547,016	1,097,393
Environmental decommissioning fees receivable	12	394,932	329,439
Contract assets		1,792	7,001
Other tax recoverable		176,275	173,904
Prepayments, deposits and other receivables		139,191	106,483
Due from related companies		8,072	4,059
Due from non-controlling shareholders		17,103	18,428
Restricted cash and pledged deposits		28,231	15,051
Cash and cash equivalents		1,688,903	1,725,283
		<hr/>	<hr/>
Total current assets		4,097,454	3,539,011
		<hr/>	<hr/>
TOTAL ASSETS		8,164,915	7,118,324

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade and bills payables	13	274,973	233,226
Other payables and accruals		872,265	966,421
Other taxes payable		24,562	30,523
Income tax payable		27,236	58,731
Due to related companies		6,496	1,310
Due to non-controlling shareholders		57,822	45,688
Interest-bearing bank and other borrowings	14	402,991	986,070
Total current liabilities		1,666,345	2,321,969
NET CURRENT ASSETS			
		2,431,109	1,217,042
TOTAL ASSETS LESS CURRENT LIABILITIES			
		6,498,570	4,796,355
NON-CURRENT LIABILITIES			
Deferred income		181,842	169,826
Other payables and accruals		100,316	119,449
Deferred tax liabilities		40,818	31,380
Interest-bearing bank and other borrowings	14	1,912,835	772,568
Provision for major overhauls		42,064	36,067
Total non-current liabilities		2,277,875	1,129,290
NET ASSETS			
		4,220,695	3,667,065
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	360,000	360,000
Reserves		3,138,237	2,651,527
		3,498,237	3,011,527
Non-controlling interests		722,458	655,538
TOTAL EQUITY			
		4,220,695	3,667,065

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from operating activities	542,601	672,918
Net cash flows used in investing activities	(897,331)	(1,013,506)
Net cash flows from financing activities	289,066	904,062
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(65,664)	563,474
Cash and cash equivalents at beginning of year	1,725,283	1,051,896
Effect of foreign exchange rate changes, net	29,284	109,913
	<hr/>	<hr/>
Cash and cash equivalents at end of year	<u>1,688,903</u>	<u>1,725,283</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 year, 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 announcement has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss.

The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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 (early adopted)</i>

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 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 (“**LPR**”) from the People's Bank of China, respectively, as at 31 December 2021. The Group expects that HIBOR and LPR will continue to exist and the interest rate benchmark reform has no had an impact on the Group's on HIBOR-based and LPR-based borrowing. 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 the above-mentioned 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 Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 year attributable to owners of parent. The adjusted profit for the year attributable to owners of parent is measured consistently with the Group’s profit for the year attributable to owners of parent except that corporate and other unallocated income and expenses are excluded from such measurement.

	Environmental hygiene services		Hazardous waste treatment		Others		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (Note 3)	3,402,146	2,820,959	710,418	483,073	337,601	216,015	4,450,165	3,520,047
Cost of sales	<u>(2,520,090)</u>	<u>(1,989,707)</u>	<u>(483,780)</u>	<u>(284,935)</u>	<u>(284,137)</u>	<u>(158,701)</u>	<u>(3,288,007)</u>	<u>(2,433,343)</u>
Gross profit	882,056	831,252	226,638	198,138	53,464	57,314	1,162,158	1,086,704
Segment results	604,352	630,384	137,766	123,271	46,543	47,372	788,661	801,027
Corporate and other unallocated income and expenses, net:								
– Interest income							173	74
– Other corporate gains							91	153
– Finance costs							(21,860)	(17,873)
– Corporate and other unallocated expenses							<u>(48,007)</u>	<u>(79,604)</u>
							<u>(69,603)</u>	<u>(97,250)</u>
Profit before tax							719,058	703,777
Income tax expense							<u>(136,893)</u>	<u>(163,365)</u>
Profit for the year							582,165	540,412
Segmental profit for the year	480,894	486,553	126,114	108,148	44,760	42,961	651,768	637,662
Non-controlling interests	<u>(65,165)</u>	<u>(85,157)</u>	<u>1,971</u>	<u>(11,393)</u>	<u>(16,938)</u>	<u>(17,033)</u>	<u>(80,132)</u>	<u>(113,583)</u>
Owners of the parent	415,729	401,396	128,085	96,755	27,822	25,928	571,636	524,079
Corporate and other unallocated income and expenses, net							<u>(69,603)</u>	<u>(97,250)</u>
							502,033	426,829
Other segment information:								
Share of profit of a joint venture	–	–	2,608	1,247	–	–	2,608	1,247
Impairment losses recognised in the consolidated statement of profit or loss, net	4,956	12,770	4,000	2,750	–	–	8,956	15,520
Depreciation and amortisation	302,289	238,118	115,465	71,100	6,980	7,397	424,734	316,615
Capital expenditure*	359,380	555,479	438,366	423,953	9,606	27,312	807,352	1,006,744

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

Information about major customers

During the years ended 31 December 2021 and 2020, no revenue from transaction 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:

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Revenue from contract customers		
Environmental hygiene services		
– Environmental hygiene services	3,389,233	2,783,487
– Construction services	12,913	37,472
	<u>3,402,146</u>	<u>2,820,959</u>
Hazardous waste treatment businesses		
– Hazard-free waste disposal services	444,171	281,833
– Sale of refined chemical and other products	266,247	201,240
	<u>710,418</u>	<u>483,073</u>
Sale of dismantled products	<u>227,101</u>	<u>95,399</u>
	4,339,665	3,399,431
Revenue from other source		
Environmental decommissioning fees income	<u>110,500</u>	<u>120,616</u>
	4,450,165	3,520,047
Other income and gains, net		
Interest income	33,055	15,944
Government grants	20,830	21,523
VAT refunds	18,528	11,910
Consultancy services provided	16,057	6,638
Gain on disposal of subsidiaries	–	1,543
Others	16,342	12,777
	<u>104,812</u>	<u>70,335</u>

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Cost of inventories sold*	490,170	291,506
Cost of services provided*	2,738,434	2,093,918
Depreciation of property, plant and equipment	330,520	237,550
Depreciation of right-of-use assets	33,991	30,721
Amortisation of operating concessions*	59,403	47,919
Amortisation of intangible assets	820	425
Write-down of inventories to net realisable value	1,727	496
Impairment on property, plant and equipment	–	2,150
Impairment on operating concession	–	7,940
Impairment losses of trade receivables, net	7,229	4,934
Lease payments under short term leases	36,386	35,042
Loss on disposal of items of property, plant and equipment	3,509	1,416
Auditor's remuneration	3,800	3,600
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Salaries and benefits in kind	1,601,831	1,256,718
Pension scheme contributions	219,930	116,214
	<u>1,821,761</u>	<u>1,372,932</u>

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

5. FINANCE COSTS

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Interest on bank borrowings	84,690	66,574
Interest on other loans	–	2,942
Interest on lease liabilities	6,348	6,682
	<u>91,038</u>	<u>76,198</u>
Total interest on bank and other borrowings	91,038	76,198
Increase in discounted amounts of provision for major overhauls arising from the passage of time	1,768	2,094
	<u>92,806</u>	<u>78,292</u>
Total finance cost	92,806	78,292
Less: Interest capitalised	(9,539)	(6,258)
	<u>83,267</u>	<u>72,034</u>

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the year (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 year based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions, by reasons that (1) these companies are engaged in the operations of environmental protection, energy and water conservation; and/or (2) they have operations in the Western region of Mainland China that are qualified for a 15% concessionary corporate income tax rate for a prescribed period of time pursuant to the "Circular of the State Council on Policies and Measures Concerning the Large-scale Development of China's Western Regions" (Guo Fa [2000] No. 33) issued by the State Council of Mainland China.

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Current – Mainland China charge for the year	141,752	163,894
Deferred	(4,859)	(529)
	<u>136,893</u>	<u>163,365</u>
Total tax charge for the year	<u>136,893</u>	<u>163,365</u>

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year ended 31 December 2021 attributable to shareholders of the Company and the weighted average number of ordinary shares of 3,600,000,000 in issue during the year ended 31 December 2021 (year ended 31 December 2020: 3,565,573,770).

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

Earnings	2021	2020
	HK\$'000	HK\$'000

For profit for the year:

Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	<u>502,033</u>	<u>426,829</u>
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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>3,565,573,770</u>
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8. DIVIDEND

The Directors recommended the payment of a final dividend of HK3 cents per share for the year ended 31 December 2021 (2020: Nil), subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
At 31 December 2020 and 1 January 2021:							
Cost	580,006	662,033	37,855	27,464	985,358	577,857	2,870,573
Accumulated depreciation	<u>(68,774)</u>	<u>(164,641)</u>	<u>(18,246)</u>	<u>(8,483)</u>	<u>(327,396)</u>	<u>-</u>	<u>(587,540)</u>
Net carrying amount	<u>511,232</u>	<u>497,392</u>	<u>19,609</u>	<u>18,981</u>	<u>657,962</u>	<u>577,857</u>	<u>2,283,033</u>
At 1 January 2021, net of accumulated depreciation	511,232	497,392	19,609	18,981	657,962	577,857	2,283,033
Transfers	120,892	81,712	19,441	-	2,233	(224,278)	-
Additions	52,027	176,587	2,582	1,430	206,710	316,026	755,362
Disposals	(15,226)	(9,184)	(908)	(12)	(3,026)	-	(28,356)
Depreciation provided during the year	(45,673)	(101,672)	(7,529)	(1,273)	(174,373)	-	(330,520)
Exchange realignment	<u>13,829</u>	<u>17,573</u>	<u>643</u>	<u>462</u>	<u>20,793</u>	<u>15,208</u>	<u>68,508</u>
At 31 December 2021, net of accumulated depreciation	<u>637,081</u>	<u>662,408</u>	<u>33,838</u>	<u>19,588</u>	<u>710,299</u>	<u>684,813</u>	<u>2,748,027</u>
At 31 December 2021:							
Cost	750,563	930,093	60,150	29,538	1,188,712	684,813	3,643,869
Accumulated depreciation	<u>(113,482)</u>	<u>(267,685)</u>	<u>(26,312)</u>	<u>(9,950)</u>	<u>(478,413)</u>	<u>-</u>	<u>(895,842)</u>
Net carrying amount	<u>637,081</u>	<u>662,408</u>	<u>33,838</u>	<u>19,588</u>	<u>710,299</u>	<u>684,813</u>	<u>2,748,027</u>

As at 31 December 2021, construction in progress comprised buildings under construction of approximately HK\$490,751,000.

10. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unbilled:		
Current portion	21,867	14,835
Non-current portion	<u>134,472</u>	<u>87,202</u>
	<u>156,339</u>	<u>102,037</u>

11. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	1,579,203	1,123,563
Less: impairment	<u>(14,236)</u>	<u>(6,754)</u>
	<u>1,564,967</u>	<u>1,116,809</u>
Bills receivables	<u>14,856</u>	<u>15,410</u>
	<u>1,579,823</u>	<u>1,132,219</u>
Portion classified as current assets	<u>(1,547,016)</u>	<u>(1,097,393)</u>
Non-current portion	<u>32,807</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 minimize 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	502,544	333,923
1 to 2 months	212,398	217,504
2 to 3 months	166,812	146,168
Over 3 months	650,406	384,388
	1,532,160	1,081,983
Unbilled	32,807	34,826
	1,564,967	1,116,809

12. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Environmental decommissioning fees receivable	394,932	329,439

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 appliances 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.

13. TRADE AND BILLS PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	266,071	225,936
Bills payable	8,902	7,290
	<u>274,973</u>	<u>233,226</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	183,343	117,148
1 to 2 months	22,575	62,499
2 to 3 months	16,486	4,216
Over 3 months	43,667	42,073
	<u>266,071</u>	<u>225,936</u>

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Secured bank loans	1,036,194	912,532
Unsecured bank loans	1,273,132	809,030
Secured other loan	6,500	33,504
Unsecured other loans	–	3,572
	<u>2,315,826</u>	<u>1,758,638</u>
Total bank and other borrowings	2,315,826	1,758,638
Portion classified as current liabilities	<u>(402,991)</u>	<u>(986,070)</u>
Non-current portion	<u>1,912,835</u>	<u>772,568</u>

15. 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 31 December 2021	<u>30,000,000,000</u>	<u>3,000,000</u>
	Number of share 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>)	<u>900,000,000</u>	<u>90,000</u>
At 31 December 2020 and 31 December 2021	<u>3,600,000,000</u>	<u>360,000</u>

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 years ended 31 December 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	3,402,146	2,820,959	20.6%	25.9%	29.5%	-3.6%	415,729	401,396	3.6%
Hazardous waste treatment business									
– Hazard-free waste disposal projects	444,171	281,833	57.6%	37.5%	46.1%	-8.6%	81,150	43,833	85.1%
– Recycling and reuse projects	266,247	201,240	32.3%	22.6%	33.9%	-11.3%	46,935	52,922	-11.3%
Subtotal	710,418	483,073	47.1%	31.9%	41.0%	-9.1%	128,085	96,755	32.4%
Others	337,601	216,015	56.3%	15.8%	26.5%	-10.7%	27,822	25,928	7.3%
Business results	4,450,165	3,520,047	26.4%	26.1%	30.9%	-4.8%	571,636	524,079	9.1%
Corporate and other unallocated income and expenses, net							(69,603)	(97,250)	-28.4%
Total							502,033	426,829	17.6%

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 from 2020 onwards.

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 year ended 31 December 2021. The Group’s core businesses, namely environmental hygiene services, hazardous waste treatment services and others, which represent our waste electrical and electronic equipment treatment business, 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 year ended 31 December 2021 increased significantly by 47.1% as compared with corresponding period in 2020. During the same period, the Group’s revenue from the environmental hygiene services also increased by 20.6% as compared with corresponding period in 2020 due to increased number of tenders won related to the environmental hygiene services projects.

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 utilizes existing public facilities, including garbage transportation stations and public toilets, to provide comprehensive environmental hygiene services. The Group's environmental hygiene services primarily cover comprehensive road cleaning, garbage sorting, garbage collection and transportation, garbage transportation station management, public toilet management, manure collection and transportation, greenway maintenance, river cleaning services and property management services.

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

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

As at 31 December 2021, the Group had 128 environmental hygiene services projects, the movements of which, during the year ended 31 December 2021, were as follow:

	Number of projects
As at 1 January 2021	113
Newly added	23
Terminated to operate	(8)
	<hr/>
As at 31 December 2021	128
	<hr/>

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

Operating Models	Number of projects
Operation & Maintenance (“ O&M ”)	123
Public-Private-Partnership (“ PPP ”)	
• Build-Transfer-Operate	1
• Transfer-Operate-Transfer	4
	<hr/>
Total	128
	<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 year ended 31 December 2021, the Group successfully won a total of 23 new environmental hygiene services projects through public tenders with total contract value and estimated annual revenue amounting to approximately HK\$2.7 billion and HK\$539.6 million, respectively. During the year ended 31 December 2021, the Group had recorded a total amount of approximately HK\$56.6 million as revenue in respect of these 23 projects.

As at 31 December 2021, the Group had a total contracted area of approximately 226.4 million sq.m. (31 December 2020: 194.4 million sq.m.) with its environmental hygiene services projects, which created an average revenue of approximately HK\$11.2 per sq.m. (2020: HK\$13.1 per sq.m.).

Hazardous waste treatment business

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

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

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

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

As at 31 December 2021, the Group had 8 hazardous waste treatment projects in operation. As of 31 December 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 (2020: 338,718 tons) and treatment facilities of projects that engaged in recycling and reuse had a total designed treatment capacity of 250,000 tons per annum (2020: 250,000 tons). As of 31 December 2021, the Group also had 4 projects under construction and 4 projects planned for future construction.

Other business

Other business represents waste electrical and electronic equipment treatment business. As of 31 December 2021, the Group had two revenue-generating waste electrical and electronic equipment treatment projects.

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

For the year ended 31 December 2021, revenue from our waste electrical and electronic equipment treatment business amounted to approximately HK\$337.6 million (2020: HK\$216.0 million), representing approximately 7.6% (2020: 6.1%) of our total revenue.

FINANCIAL PERFORMANCE

Revenue and gross profit margin

The Group's total revenue increased by approximately 26.4% from approximately HK\$3,520.0 million for the year ended 31 December 2020 to approximately HK\$4,450.2 million for the year ended 31 December 2021, primarily due to increased revenue from the Group's environmental hygiene services and hazardous waste treatment projects.

Environmental hygiene services

During the year ended 31 December 2021, the Group recorded a total revenue of approximately HK\$3,402.1 million (year ended 31 December 2020: HK\$2,821.0 million) from its environmental hygiene services projects. As at 31 December 2021, the Group had a total of 128 environmental hygiene services projects (31 December 2020: 113).

The gross profit margin of the Group's environmental hygiene services projects decreased from 29.5% for the year ended 31 December 2020 to 25.9% for the year ended 31 December 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\$125.0 million for the year ended 31 December 2020 to HK\$38.9 million for the year ended 31 December 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 to the Group’s environment hygiene services projects, due to the COVID-19 pandemic in the year ended 31 December 2021 (year ended 31 December 2020: HK\$43.4 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 years ended 31 December 2021 and 2020:

	For the year ended	
	31 December	
Environmental hygiene services	2021	2020
	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	3,402,146	2,820,959
Less: VAT Relief	(38,939)	(125,046)
Revenue excluding VAT Relief	<u>3,363,207</u>	<u>2,695,913</u>
Cost of sales	2,520,090	1,989,707
Add: Other Relief	–	43,420
Costs of sales excluding Other Relief	<u>2,520,090</u>	<u>2,033,127</u>
Gross profit excluding VAT Relief and Other Relief	843,117	662,786
Gross profit margin excluding VAT Relief and Other Relief	<u>25.1%</u>	<u>24.6%</u>

Hazardous waste treatment services

During the year ended 31 December 2021, the Group recorded a total revenue of HK\$710.4 million (year ended 31 December 2020: HK\$483.1 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 year ended 31 December 2021.

The Group's gross profit margin of its hazardous waste treatment services projects decreased from 41.0% for the year ended 31 December 2020 to 31.9% for the year ended 31 December 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		
	2021	2020	Change	2021	2020	Change	2021	2020	Change
Revenue (HK\$'000)	444,171	281,833	57.6%	266,247	201,240	32.3%	710,418	483,073	47.1%
Actual treatment/sales volume (tons)	204,584	109,432	87.0%	60,089	71,315	-15.7%	264,673	180,747	46.4%
Average sales price (HK\$/ton)	<u>2,171</u>	<u>2,575</u>	<u>-15.7%</u>	<u>4,431</u>	<u>2,822</u>	<u>57.0%</u>	<u>2,684</u>	<u>2,673</u>	<u>0.4%</u>

The actual treatment volume of the Group's hazard-free waste disposal projects increased from 109,432 tons for the year ended 31 December 2020 to 204,584 tons for the year ended 31 December 2021. The significant increase was mainly attributable to the increase in actual treatment volume provided by the Group's Industrial Solid Waste Disposal Center Project in Shandong Province (山東省工業固體廢物處置中心項目) and Yaojiagang Industrial Waste Treatment and Recycling Project in Yichang City (宜昌市姚家港工業廢物處理及資源化項目) of 98,495 tons and 51,399 tons for the year ended 31 December 2021 (year ended 31 December 2020: 63,336 tons and 27,712 tons), respectively.

Due to competition, the average sales price of the Group's hazard-free waste disposal projects decreased from HK\$2,575 per ton for the year ended 31 December 2020 to HK\$2,171 per ton for the year ended 31 December 2021. Accordingly, the gross profit margin of the Group's hazard-free waste disposal projects decreased from 46.1% for the year ended 31 December 2020 to 37.5% for the year ended 31 December 2021.

The average sales price of the Group's recycling and reuse projects increased from HK\$2,822 per ton for the year ended 31 December 2020 to HK\$4,431 per ton for the year ended 31 December 2021 due to the continuous increase in the market price of methanol, ethanol and butanol during the year ended 31 December 2021. However, due to the significant increase in the procurement costs of waste methanol and mixed alcohol during the year ended 31 December 2021, the gross profit margin of the Group's recycling and reuse projects decreased from 33.9% for the year ended 31 December 2020 to 22.6% for the year ended 31 December 2021.

Administrative expenses

Administrative expenses for the year ended 31 December 2021 increased to HK\$413.5 million, as compared to the corresponding period of last year of HK\$339.7 million. The increase was mainly due to (i) increase in salaries, wages and welfare from HK\$191.7 million in 2020 to HK\$244.3 million in 2021; and (ii) increase in office expenses from HK\$51.8 million in 2020 to HK\$61.5 million in 2021 as a result of continuous business expansion.

Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK\$83.3 million (year ended 31 December 2020: HK\$72.0 million). The increase in finance costs was mainly due to the increase in interest-bearing bank and other borrowings during the year ended 31 December 2021.

Income tax expense

The income tax expense decreased from HK\$163.4 million for the year ended 31 December 2020 to HK\$136.9 million for the year ended 31 December 2021, mainly because of the utilisation of tax losses previously not recognised in certain Group's subsidiaries.

Property, plant and equipment

Property, plant and equipment consist of buildings, plant and machinery, furniture, fixtures and equipment, motor vehicles, construction on progress. The increase in property, plant and equipment for the year ended 31 December 2021 was mainly due to the net effect of (i) purchase of motor vehicles mainly for environmental hygiene services projects in the amount of HK\$206.7 million; (ii) additions in construction in progress for hazardous waste treatment business in the amount of HK\$316.0 million; (iii) additions in plant and machinery of HK\$176.6 million; (iv) additions in buildings of HK\$52.0 million; (v) depreciation provided during the year ended 31 December 2021 in the amount of HK\$330.5 million; and (vi) change in exchange rate differences on foreign exchange translation in the amount of HK\$68.5 million.

Right-of-use-assets

Right-of-use assets consist of buildings, motor vehicles and leasehold lands. Increase in right-of-use assets was mainly due to the net effect of (i) additions in buildings of HK\$21.1 million; (ii) additions in motor vehicles of HK\$12.0 million; (iii) additions in leasehold lands of HK\$15.2 million; (iv) depreciation provided during the year ended 31 December 2021 in the amount of HK\$34.0 million; and (v) change in exchange rate differences on foreign exchange translation in the amount of HK\$5.3 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. Increase in operating concessions was mainly due to the net effect of (i) amortisation of HK\$59.4 million charged to the consolidated statement of profit of loss; and (ii) change in exchange rate difference on foreign exchange translation in the amount of HK\$6.2 million.

Receivables under service concession arrangements

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

Trade and bills receivables

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

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

	As of 31 December	
	2021	2020
Average trade and bills receivable turnover days (<i>days</i>)	<u>111</u>	<u>100</u>

Environmental decommissioning fee receivable

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

Contract assets

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

Prepayments, deposit and other receivables

Increase in overall prepayments, deposit and other receivables was mainly due to (i) increase of HK\$7.7 million in the prepayments for acquisition of property, plant and equipment; (ii) increase of HK\$10.7 million in the prepayments for purchase of inventories; (iii) increase of HK\$4.7 million in the prepayments for acquisition of land use rights for hazardous waste treatment business projects; and (iv) increase of HK\$17.2 million in the prepaid expenses.

Trade and bills payables

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

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 net effect of (i) decrease in payables for acquisition of property, plant and equipment in the amount of HK\$161.5 million; and (ii) increase in lease liabilities in the amount of HK\$43.0 million.

Interest-bearing bank and other borrowings

Increase in bank and other borrowings was mainly due to drawdown of bank borrowings during the year ended 31 December 2021 for the purposes of development in the Group's environmental hygiene services and hazardous waste treatment services.

Liquidity and financial resources

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

As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately HK\$1,688.9 million (31 December 2020: approximately HK\$1,725.3 million).

As at 31 December 2021, the Group's bank and other borrowings amounted to HK\$2,315.8 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 14.9% as at 31 December 2021 (31 December 2020: 0.9%). The increase in the net gearing ratio as at 31 December 2021 was mainly due to the drawdown of bank borrowings because of continuous business expansion.

Capital expenditure

During the year ended 31 December 2021, the Group's total capital expenditures were HK\$807.4 million (2020: HK\$1,006.7 million), out of which HK\$755.4 million, HK\$2.0 million, HK\$48.3 million and HK\$1.7 million (2020: HK\$672.2 million, HK\$2.5 million, HK\$72.2 million and HK\$259.8 million) were paid for the additions of property, plant and equipment, other intangible assets, right-of-use assets and operating concessions, respectively.

FUTURE OUTLOOK

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

The Group intends to participate in more tendering process for new environmental hygiene service 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 2022 due to the increased capacity of the Group's projects and the recovery of the overall PRC economy.

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

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings of the Group as at 31 December 2021 are secured by:

- (i) pledge over the Group's equity interest in subsidiaries and a non-controlling shareholder's equity interest in a subsidiary as at 31 December 2021 and 2020; and

- (ii) pledges over certain of the Group's property, plant and equipment, right-of-use assets and operating concession rights as at 31 December 2021 and 2020.

Save as disclosed above, as at 31 December 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 (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 year ended 31 December 2021, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed 42,175 employees (31 December 2020: 39,406 employees) with total staff cost of approximately HK\$1,821.8 million incurred for the year ended 31 December 2021 (year ended 31 December 2020: approximately HK\$1,372.9 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 year ended 31 December 2021.

IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REPORTING PERIOD

There was no important event affecting the Group since 31 December 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**”). The IPO Proceeds were applied in accordance with the proposed application as set out in the prospectus of the Company dated 30 December 2019 (the “**Prospectus**”). As at 31 December 2021, the IPO Proceeds were fully utilised according to the intentions previously disclosed in the Prospectus as follows:

	Intended use of proceeds HK\$ million	Actual amount utilised from Listing Date to 31 December 2021 HK\$ million	Unutilised amount as at 31 December 2021 HK\$ million
Purchase of equipment and facilities for hazardous waste treatment projects			
– Incineration system	191.1	191.1	–
– Wastewater and liquid waste flocculation and purification system	11.2	11.2	–
– Deodorization system	13.4	13.4	–
Sub-total	215.7	215.7	–
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	–
Purchase of garbage trucks for environmental hygiene services projects	97.9	97.9	–
Repayment of a bank borrowing in Hong Kong	150.0	150.0	–
General working capital	49.8	49.8	–
Total	603.4	603.4	–

DIVIDEND

The Board proposed to pay a final dividend of HK3 cents per ordinary share (the “**Proposed Final Dividend**”) for the year ended 31 December 2021 (2020: Nil). The Proposed Final Dividend is subject to shareholders’ approval at the annual general meeting of the Company to be held on Tuesday, 7 June 2022, and is payable to shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 15 June 2022.

CLOSURES OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Wednesday, 1 June 2022 to Tuesday, 7 June 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Tuesday, 7 June 2022, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 31 May 2022.

For Entitlement to Proposed Final Dividend

The register of members will be closed from Monday, 13 June 2022 to Wednesday, 15 June 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the Proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 June 2022. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the Proposed Final Dividend will be paid on or around Friday, 8 July 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 December 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). In the opinion of the Board, throughout the year ended 31 December 2021, save as the deviation as described below, the Company had complied with all the applicable code provisions set out in the CG Code.

Code Provision A.1.1 of the CG Code stipulates that the Board should hold at least four Board meetings a year. Throughout the year ended 31 December 2021, the Company held two Board meetings and the Board has made resolutions by circulation of written resolutions from time to time. As there is no significant business development that needs to bring to the attention of the Board immediately, circulation of written materials to keep the Board informed throughout the year ended 31 December 2021 is considered to be sufficient. Such measure has been taken to ensure that there is efficient communication among the Directors.

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

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 year ended 31 December 2021.

AUDIT COMMITTEE AND REVIEW OF ANNUAL 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 Mr. 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 annual results of the Group for the year ended 31 December 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.

SCOPE OF WORK OF THE COMPANY’S AUDITOR IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position as at 31 December 2021, consolidated statement of profit or loss, consolidated statement of comprehensive income, condensed consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Company’s auditor to the amounts set out in the Group’s draft consolidated financial statements for the year ended 31 December 2021. The work performed by the Company’s auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by the Company’s auditor on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.beur.net.cn) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 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 during the year.

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

Hong Kong, 29 March 2022

As at the date of this announcement, the executive directors of the Company are Mr. Zhao Kexi (Chief Executive Officer) and Mr. Zhou Chen; 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.