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

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3718

2021
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Kexi *(Chief Executive Officer)*
Mr. Zhou Chen *(appointed on 1 September 2021)*
Mr. Huang Zhiwan *(resigned on 1 September 2021)*
Mr. Zhang Hailin *(resigned on 10 November 2021)*

Non-Executive Directors

Mr. Zhou Min *(Chairman)*
Mr. Li Li
Mr. Li Haifeng

Independent Non-Executive Directors

Mr. Orr Ka Yeung, Kevin
Mr. Wu Tak Kong
Dr. Du Huanzheng

AUDIT COMMITTEE

Mr. Wu Tak Kong *(Chairman)*
Mr. Orr Ka Yeung, Kevin
Dr. Du Huanzheng

NOMINATION COMMITTEE

Mr. Zhou Min *(Chairman)*
Mr. Orr Ka Yeung, Kevin
Mr. Wu Tak Kong

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Fung Che Wai, Anthony

STOCK CODE

3718

WEBSITE

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INVESTOR RELATIONS CONTACT

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REGISTERED OFFICE

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Cayman Islands

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Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Chaoyang District
Beijing
PRC

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

COMPLIANCE ADVISER

Somerley Capital Limited

PRINCIPAL BANKERS

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders:

The year 2021 is the inaugural year for the "14th Five-Year Plan". In face of the complex and severe situations at home and abroad, various risks and challenges, and experiencing the critical tests from the multiple waves of the COVID-19 epidemics, our country is able to maintain its economic recovery and development on track, and continues to optimize its economic structure and regional layout so that the ecological and civilized construction continue to progress as a whole. Beijing Enterprises Urban Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") work together cohesively and always adhere to the corporate vision of "being the leading comprehensive service provider for urban environment and resource utilization" and the sustainable development philosophy of green and low carbon. By coordinating the synergistic development of environmental hygiene business and the hazardous waste treatment business, the Group boasts to achieve favourable results.

BUSINESS REVIEW

The Group recorded a revenue of approximately HK$4,450.2 million for the year ended 31 December 2021 (the "Reporting Period"), representing a year-on-year increase of approximately 26.4%. Profit for the period attributable to shareholders of the Company increased by approximately 17.6% year-on-year to approximately HK$502.0 million. Basic and diluted earnings per share for the period were approximately HK13.95 cents. The Directors of the Company resolve to distribute a cash dividend of HK3.0 cents per share to shareholders to reciprocate their long-standing trust and support to the Group.

The environmental hygiene market saw a gradual slowdown in the growth rate. Nevertheless, there is still room for improvement in the breadth and depth of marketization development of the environmental hygiene market. At the same time, the regional development of the environmental hygiene market is not balanced, and there is continuous influx of diverse entities into the field of environmental hygiene services, and therefore, the market competition is becoming increasingly fierce. During the Reporting Period, the Group focused on building a lean operation structure for its projects, established the management system of "using existing projects to drive growth", and had a total of 128 environmental hygiene services projects, and a total of cleaning area of approximately 226.4 million square metres. The Group was shortlisted in the "Top 10 Influential environmental hygiene enterprises" list and the list of the "Top 50 environmental hygiene enterprises in China", and had also won a number of honors, witnessing a continuous enhancement of the Group's brand vitality to demonstrate its professional service capabilities.

While the disposal volume and disposal capacity of the hazardous waste market continue to increase, the distribution of the hazardous waste industry is still fragmented and there is keen competition in different segments and there are both opportunities and challenges in the industry. During the Reporting Period, the Group focused on strengthening the upgrade and transformation of the hazardous waste technology, fully utilized the production capacity and optimized the technological processes to increase the production capacity effectively, thereby achieving cost reduction and enhancing production efficiency. With the economic recovery in the post-epidemic period and the enhancement of market expansion capabilities, the Group's hazardous waste disposal volume increased by 46.4% year-on-year, and the total designed treatment capacity of the treatment facilities of waste disposal projects reached 709,700 tons per annum. The Group has deepened its cooperation with the local government on the hazardous waste projects and actively responded to the emergency disposal tasks, thus fostering the sustained positive development of the hazardous waste business.

CHAIRMAN'S STATEMENT

COMPANY CONTROL

In the "Implementation Plan" and other policies that the State Council has successively issued, such as, the "Carbon Peaking Action Plan before 2030", "Opinions on Promoting Green Development of Urban and Rural Construction", "The Fourteenth Five-Year Plan for Promoting Agricultural and Rural Modernization", and "Strengthening Hazardous Waste Supervision and Reform of Utilization and Disposal Capability", the importance of environmental hygiene and hazardous waste treatment has been repeatedly emphasized; including the establishment of a domestic waste collection, transportation and disposal system covering the whole society, the promotion of integrated third-party governance of urban and rural environmental hygiene, the continuous promotion of waste classification, and the facilitation of the construction of waste-free cities, escalation of hazardous waste monitoring, utilization and disposal capabilities, etc. The Group grasped the advantages of policy development stage in the environmental hygiene business and hazardous waste treatment business, implemented new development concepts, and built a new development pattern by strengthening customer management and building its own operational strength as the starting point, considering innovation and development as its own responsibility, and improving the Company's standard of management and control.

Under the complicated market situation, the Group adheres to the principle of "customer-oriented", formulates customer management measures, conducts customer satisfaction surveys, formulates full-cycle customer management procedures and reporting systems, and implements CRM customer resource management system, which has won the recognition of customers. In terms of organizational reform, the Group strengthens the empowerment of the operation and management of the Group's business, improves organizational efficiency, establishes a long-term mechanism for project operation quality inspection and refined management, continues to improve the quality of operations, and provides customers with well trusted and excellent operation services.

Driven by "digital technology + management innovation", the Group explores the technological innovation and development, conducts research on technical standards, processes, and management models, compiles operating procedures and business operation instruction manuals, and continuously improves the "smart environmental hygiene system". Leveraging digital intelligent technology to promote the effectiveness of the enhancement of environmental hygiene business, to build a professional operation system that conforms to the concept of future urban governance; to strengthen the cooperation between the hazardous waste project and scientific research and innovation with schools, obtains a number of intellectual property rights, makes full use of production capacity, optimizes process flow, and completes a number of difficult solutions of material technologies, improves the disposal rate and forms a standard solution of technical promotion. Shandong Pingfu Hazardous Waste Project was shortlisted to the list of high-tech enterprises in Shandong Province.

The Group continues to deepen reforms, consolidate the Company's management system and structure, attach great importance to environmental and safety risk management capabilities, and consolidates the foundation of HSE management through closed-loop management methods to firmly grasp the main line of project investment risk prevention and control, effectively prevent and resolve risks, and build a strong risk control firewall of the group.

SUSTAINABLE DEVELOPMENT

The Group always adheres to the concept of sustainable development, closely follows the national "dual carbon" goal, deepens its strategic layout, and continuously improves its corporate governance system with the core value of the environment, society and governance. The Group continues to improve the efficiency of resource use, advocates the use of new energy vehicles and equipment, reduces energy consumption, and is committed to reducing hazardous waste, harmless disposal and comprehensive utilization of resources in order to further improve the urban and rural living environment, and contribute to the green development strategy of our country.

CHAIRMAN'S STATEMENT

During the Reporting Period, the Group continued to operate in strict compliance with laws and regulations, enhanced corporate governance, strengthened the construction of an incorruptible government construction and the level of operation compliance, prevented and controlled operational risks, established a normalized COVID-19 prevention and control system, and adhered to a stable and sustainable development path. The Group has completed the development and implementation of the ERP supply chain module system, actively facilitated the transformation of the digital supply chain based on the digital strategy, and created a high-quality reliable supply chain for the healthy and sustainable development of the Group. The Group continues to strengthen the construction of the Group's brand system, enhances the organization of brand communication through sustainable management, improves the efficiency of brand communication, and ensures the quality of environmental hygiene for the Winter Olympics, enhancing the brand influence.

The Group is committed to a people-oriented, mutually development long-term nurturing growth plan to strengthen team training management and further enrich the internal lecturer system, and build a learning style organization to enhance the comprehensive quality of employees. During the Reporting Period, the Group launched the "Huangpu Scheme" for the core management members, the "Talent Ladder Scheme" project for the cultivation of reserve talents, and the training system for guiding the mentors of management trainees and on-site practice. The Group continued to care for front-line employees to ensure their health and safety, and to provide development opportunities and growth platform for all levels of employees, and establish a solid human resources foundation for the growth of the Group's business. During the Reporting Period, many employees of the Group were awarded social honors and recognitions at the provincial and county levels. The Group was awarded the "2021 Best Social Responsibility Enterprise Brand" issued by the Beijing-Tianjin-Hebei Coordinated Development Summit.

OUTLOOK

Looking forward to 2022, although the external environment is complicated and unpredictable, and the downward pressure on the economy is increasing, scientific and effective prevention and control measures will help the stabilization and recovery of the economy. During the "14th Five-Year Plan", amid the background of comprehensively deepening reforms, promoting the development of dual economic cycle and stringent monitoring of environmental protection, comprehensive and refined urban management and intelligent services, waste resourcezation and utilization have become the development trend, which will cause the continuously release of market demand for environmental hygiene and hazardous waste treatment services. The Group is committed to promoting the modernization of environmental governance through digital, intelligent and diversified professional services, establishing customer-oriented system support, scientific and efficient operation, nurturing innovation vitality, and promoting long-term sustainable high-quality development of the enterprise.

The Group will closely follow the development trend of policies, seize market opportunities, keep pace with the trend, establish the mindset of "operating cities" and "operating customers", actively expand the width and depth of business, promote the construction of capabilities for business diversification, and strengthen comprehensive services and refine and enhance operation management ability, promote intelligent and digital construction, upgrade technology and professional level, strengthen the team building and corporate culture building of the Group, and strive to become a professional leading, excellent, and reputable urban integrated service solution provider.

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

Zhou Min
Chairman of the Board

29 March 2022

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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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)
As at 31 December 2021	128

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
Total	128

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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
	HK$'000	HK$'000
Revenue	**3,402,146**	2,820,959
Less: VAT Relief	**(38,939)**	(125,046)
Revenue excluding VAT Relief	**3,363,207**	2,695,913
Cost of sales	**2,520,090**	1,989,707
Add: Other Relief	**–**	43,420
Costs of sales excluding Other Relief	**2,520,090**	2,033,127
Gross profit excluding VAT Relief and Other Relief	**843,117**	662,786
Gross profit margin excluding VAT Relief and Other Relief	**25.1%**	24.6%

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)	**2,171**	2,575	-15.7%	**4,431**	2,822	57.0%	**2,684**	2,673	0.4%

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 (days)	**111**	100

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 accounted 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 report.

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 of Hong Kong Limited (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.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting the environmental sustainability. The Group is committed to maintaining sustainable working practises and pays close attention to ensure all resources are efficiently utilised. The environmental policies and performance of the Company for the year ended 31 December 2021 containing the information required under Appendix 27 to the Listing Rules are set out in the Environmental, Social and Governance Report which will be published on the Stock Exchange's website and the Company' s website no later than five months after, the end of the financial year.

COMPLIANCE WITH REGULATIONS

The Group is not aware of any instances of material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Cap. 622), Listing Rules, and other applicable local laws and regulations in various jurisdictions during the year ended 31 December 2021.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the services in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the services so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2021.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company adopted the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry to all the Directors, all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2021.

BOARD OF DIRECTORS

Role and delegation

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

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

Composition

The Board currently comprises the following Directors:

Executive Directors

Mr. Zhao Kexi *(Chief Executive Officer)*
Mr. Zhou Chen *(appointed on 1 September 2021)*
Mr. Huang Zhiwan *(resigned on 1 September 2021)*
Mr. Zhang Hailin *(resigned on 10 November 2021)*

Non-executive Directors

Mr. Zhou Min *(Chairman)*
Mr. Li Li
Mr. Li Haifeng

Independent Non-executive Directors (the "INEDs")

Mr. Orr Ka Yeung, Kevin
Mr. Wu Tak Kong
Dr. Du Huanzheng

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

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

Chairman and Chief Executive Officer

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

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

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

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

Independent non-executive Directors

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

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

The terms of appointment of the non-executive Directors

The terms of appointment of the non-executive Directors of the Company are as follows:

Name of Non-executive Directors	Terms of Appointments
Mr. Zhou Min	Until 14 January 2023
Mr. Li Li	Until 14 January 2023
Mr. Li Haifeng	Until 14 January 2023

Corporate governance functions

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

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

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

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

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

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

Nomination Policy and Board diversity

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

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

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

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

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

As at the date of this Corporate Governance Report, there are eight Directors with extensive experience and/or professional backgrounds to formulate and give direction of the Group's corporate strategy and business development. The composition, experience and balance of skills on the Board are regularly reviewed by a core of members with longstanding and deep knowledge of the Group alongside new Directors who bring fresh perspectives and diverse experiences to the Board. The process for the nomination of Directors is led by the Nomination Committee.

Tenure

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

All Directors (including the INEDs) had entered into the letters of appointment or service agreements (as the case may be) with the Company for a term of three years subject to retirement from office by rotation and re-election at the forthcoming annual general meeting (the "AGM") in accordance with the Articles of Association.

Directors' induction and continuous professional development

Upon appointment to the Board, each newly appointed Director would receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company.

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

Name of Directors	Corporate Governance/ Updates on laws, rules & regulations	
	Read materials	Attended seminars/ briefings
Executive Directors		
Mr. Zhao Kexi *(Chief Executive Officer)*	✔	✔
Mr. Zhou Chen *(appointed on 1 September 2021)*	✔	✔
Mr. Huang Zhiwan *(resigned on 1 September 2021)*	✔	✔
Mr. Zhang Hailin *(resigned on 10 November 2021)*	✔	✔
Non-executive Directors		
Mr. Zhou Min *(Chairman)*	✔	✔
Mr. Li Li	✔	✔
Mr. Li Haifeng	✔	✔
Independent non-executive Directors		
Mr. Orr Ka Yeung, Kevin	✔	✔
Mr. Wu Tak Kong	✔	✔
Dr. Du Huanzheng	✔	✔

Liability Insurance for the Directors

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

BOARD COMMITTEES

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

Audit Committee

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

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

The Audit Committee had reviewed the Group's consolidated financial statements for the year ended 31 December 2021. Through the year ended 31 December 2021, three Audit Committee meetings were held to review and discuss, inter alia, with the management of the Company and the external auditors the accounting principles and practices adopted by the Group, the interim and annual results, as well as internal controls, risk factors and other financial reporting matters, during which all INEDs were present throughout the meeting. Details of the individual attendance records of each INED at the meetings are set out in the section headed "Board and Board Committees Meetings" in the Corporate Governance Report.

The Board agreed with the Audit Committee's proposal for selection and re-appointment of Messrs. Ernst & Young as the Company's external auditor for the year 2022. The recommendation will be put forward for shareholder's approval at the AGM of the Company.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors are responsible for the preparation of financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2021, the Directors have selected suitable accounting policies and applied them consistently (except for the adoption of revised standards, amendments to standards and interpretation); adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditor, is set out on pages 42 to 45 of the "Independent Auditor's Report" in this annual report.

Auditor's remuneration

The remuneration paid/payable to the Company's auditor for the year ended 31 December 2021 are set out as follows:

Services rendered for the Group	Fee paid/ payable to HK$'000
Audit services:	
– annual financial statements	3,800
Non-audit services:	
– agreed-upon procedure engagement in relation to interim financial report	650
– taxation compliance	14
Total	4,464

Remuneration Committee

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

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

The primary duties of the Remuneration Committee include the following:

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

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

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

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

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

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

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

Throughout the year ended 31 December 2021, one Remuneration Committee meeting was held. Details of the individual attendance records of each member of the Remuneration Committee at the meeting are set out in the section headed "Board and Board Committees Meetings" in this Corporate Governance Report.

Nomination Committee

The Nomination Committee comprises one non-executive Director and two INEDs, namely Mr. Zhou Min (chairman), Mr. Orr Ka Yeung, Kevin and Mr. Wu Tak Kong, respectively.

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

Throughout the year ended 31 December 2021, one Nomination Committee was held. Details of the individual attendance records of each member of the Nomination Committee at the meeting are set out in the section headed "Board and Board Committees Meetings" in this Corporate Governance Report.

BOARD AND BOARD COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee and the annual general meeting held for the year ended 31 December 2021 are set out in the following table:

	Meetings attended/held				
Name of Director	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting
Executive Directors					
Mr. Zhao Kexi *(Chief Executive Officer)*	2/2	–	–	1/1	1/1
Mr. Zhou Chen *(appointed on 1 September 2021)*	0/2 *(Note)*	–	–	–	0/1 *(Note)*
Mr. Huang Zhiwan *(resigned on 1 September 2021)*	2/2	–	–	–	0/1
Mr. Zhang Hailin *(resigned on 10 November 2021)*	2/2	–	–	–	1/1
Non-executive Directors					
Mr. Zhou Min *(Chairman)*	2/2	–	1/1	–	1/1
Mr. Li Li	1/2	–	–	–	0/1
Mr. Li Haifeng	2/2	–	–	–	1/1
Independent non-executive Directors					
Mr. Orr Ka Yeung, Kevin	2/2	3/3	1/1	–	1/1
Mr. Wu Tak Kong	2/2	3/3	1/1	1/1	1/1
Dr. Du Huanzheng	2/2	1/3	–	1/1	1/1

Note: Mr. Zhou Chen was appointed as an executive director of the Company on 1 September 2021 after the annual general meeting held on 4 June 2021.

Throughout the year ended 31 December 2021, the Chairman held one meeting with the INEDs without the presence of the executive Directors.

Risk management and internal control

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

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

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

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

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

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

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

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

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

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

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

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

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

Inside information

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than Directors) for the year ended 31 December 2021 is as follows:

Remuneration band	Number of individuals
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	1

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 8 and 9 to the financial statements in this annual report, respectively.

COMPANY SECRETARY

Mr. Fung Che Wai, Anthony, the company secretary of the Company (the "Company Secretary"), is a full time employee of the Company. Throughout the year ended 31 December 2021, Mr. Fung has complied with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting (the "EGM") by shareholders

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

Procedures for directing shareholders' enquiries to the Board

Shareholders of the Company may at any time send their enquiries to the Board for the attention of the Company Secretary via email (ir@beurg.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at Units 6705-6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders of the Company may also make enquiries with the Board at general meetings of the Company.

Procedures for putting forward proposals at shareholders' meetings

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

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

2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at Units 6705-6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

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

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

INVESTOR RELATIONS

Communication with shareholders

The Group also has a proactive investor relations programme that keeps stakeholders abreast the Group's latest development and discloses relevant information to the public in a timely manner. During the year ended 31 December 2021 and up to the date of this Corporate Governance Report, the management of the Group held various meetings with potential investors and participated in investor and press conferences.

Constitutional documents

The Company adopted the Articles of Association on 15 January 2020. Throughout the year ended 31 December 2021, there was no significant change in the constitutional documents. The Articles of Association is available on both the websites of the Company and the Stock Exchange.

Dividend Policy

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhao Kexi (趙克喜), aged 46, was appointed as our Director on 26 March 2019 and was re-designated as our executive Director on 9 April 2019. Mr. Zhao is also our president and Chief Executive Officer. He is primarily responsible for the overall management of our Group. Since December 2016, Mr. Zhao has been serving as the chairman of the board and general manager of Qingdao Beijing Enterprises Resources and Environmental Technology Limited* (青島北控資源與環境技術有限公司), an indirectly owned subsidiary of the Company principally engaged in construction and operation of urban garbage recycling and utilization facilities.

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

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

Mr. Zhou Chen (周塵), aged 31, was appointed as our executive Director on 1 September 2021. Mr. Zhou Chen joined the Group in January 2021. He has been a director of three wholly-owned subsidiaries of the Company, namely Beijing Enterprises Urban Environmental Services Group Limited* (北控城市環境服務集團有限公司), Beijing Enterprises Urban City (Beijing) Environmental Technology Limited* ((北控城市(北京)環境科技有限公司) and Beijing Enterprises Urban Environmental Resources (PRC) Limited* (北控城市環保資源投資(中國)有限公司). Mr. Zhou Chen has been appointed as the president assistant of the Company since May 2021, where he has been primarily responsible for business development. Prior to joining the Group, from May 2013 to October 2016, Mr. Zhou Chen worked at METROLINX, a public agency engaging in public transportation services for the Ontario government in Canada, as a supervisor of financial operations and special projects, and was responsible for the financial system product design, financial process and operational management matters of the electronic payment business under the agency. From August 2019 to December 2020, Mr. Zhou Chen served as an overseas strategy and business manager of Jingdong Digits Technology Holding Co., Ltd. (京東數字科技控股股份有限公司) (now known as Jingdong Technology Holding Co., Ltd. (京東科技控股股份有限公司)), and was responsible for the overseas strategy of electronic payment and local business, business product strategy and business analysis.

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

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Zhou Min (周敏), aged 58, was appointed as our Director on 26 March 2019 and was re-designated as our non-executive Director and Chairman on 9 April 2019. Mr. Zhou Min is primarily responsible for leading our Board, ensuring the effective operation of our Board and providing business strategy and management advice to our Board.

From May 2001 to May 2014, Mr. Zhou served as the executive director and chief financial officer of BE Zhongkecheng Environmental where he was primarily responsible for its financial management. Since May 2014, Mr. Zhou Min has been the chairman of BE Zhongkecheng Environmental where he has been primarily responsible for its overall management. From August 2008 to March 2016, Mr. Zhou Min served as an executive director of BEWG and was primarily responsible for overseeing its daily operations, corporate development, administrative management, capital operations and risk control. Since March 2016, Mr. Zhou Min has been an executive director and the chief executive officer of BEWG where he has been primarily responsible for its overall operations management.

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

Mr. Li Li (李力), aged 56, was appointed as our Director on 26 March 2019 and was re-designated as our non-executive Director on 9 April 2019. Mr. Li is primarily responsible for providing business strategy and management advice to our Board.

From September 1988 to September 2001, Mr. Li served several positions at Zhong Ji First Design & Research Institute Company Limited* (中機第一設計研究院有限公司) (formerly known as Mechanical Industry First Design & Research Institute Company Limited* (機械工業第一設計研究院)), a company principally engaged in construction design and consultancy, where he last served as a vice director and was primarily responsible for marketing. From October 2001 to January 2007, Mr. Li joined Beijing Sound Environmental Construction Company Limited* (北京桑德環境工程有限公司) ("Beijing Sound"), a water construction provider as a general manager, where he was primarily responsible for its daily operations management. From January 2007 to February 2011, Mr. Li served as the chief executive officer and last served as an executive director of Sound International Co., Ltd. (桑德國際有限公司), the parent company of Beijing Sound, where he was primarily responsible for overseeing its overall operations and management.

Mr. Li joined BEWG in October 2010. In February 2014, Mr. Li started to serve as an executive director at BEWG and became an executive president in March 2016, during which he has been primarily responsible for overseeing its daily operations and operations management.

Mr. Li received his bachelor's degree in mechanical engineering majoring in welding from Xi'an Jiaotong University (西安交通大學) in the PRC in July 1988 and his doctor's degree in engineering from Tsinghua University (清華大學) in the PRC in April 2018. Mr. Li obtained his certificate of senior engineer (高級工程師) from Beijing Senior Professional and Technical Positions Review Committee (北京市高級專業技術職務評審委員會) in November 1997.

Mr. Li Haifeng (李海楓), aged 51, was appointed as our Director on 26 March 2019 and was re-designated as our non-executive Director on 9 April 2019. Mr. Li is primarily responsible for providing business strategy and management advice to our Board.

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

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Orr Ka Yeung, Kevin (柯家洋), aged 43, was appointed as our independent non-executive Director on 19 December 2019.

Mr. Orr was appointed as the Group Vice President & Chief Investment Officer of Winner Medical Co., Ltd. (穩健醫療用品股份有限公司), a medical device and consumer healthcare & lifestyle new economy conglomerate in July 2017, where he is mainly responsible for group strategic investments, sustainability and public affairs. He was appointed as the General Manager of Winner Medical (Hong Kong) Limited (穩健醫療(香港)有限公司) in May 2002.

Mr. Orr is a committee member of All-China Youth Federation (中華全國青年聯合會); a member of Beijing Tongzhou District Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議北京市通州區委員會); a standing committee member and the chief officer of Taiwan, HK & Macao Committee of Beijing Youth Federation (北京市青年聯合會); the vice chairman of Hong Kong United Youth Association; the vice chairman of Centum Charitas Foundation; the vice president of the Guangdong-Hong Kong-Macao Greater Bay Area Biotechnology Alliance (粵港澳大灣區生物科技聯盟); a member of the Council for Sustainable Development of the HKSAR Government; a member of Global Expert Group of "Sustainable Infrastructure for the Belt and Road Initiative to Accelerate the SDGs" Action Platform in Healthcare Sector of United Nations Global Compact; a co-opted member of The Social Innovation and Entrepreneurship Development Fund Task Force under the Commission on Poverty of the HKSAR Government; a general committee member and vice chairman of Sustainability Development Committee of The Chinese Manufacturers' Association of Hong Kong; an honorary advisor of the Advisory Committee of Multi-Scale Medical Robotics Center of InnoHK; a member of Advisory Board Committee of Department of Electronic & Computer Engineering of The Hong Kong University of Science and Technology; an industrial advisor to the Technology Transfer Management Committee of The Hong Kong Polytechnic University; and a member of Departmental Advisory Committee of Department of Biomedical Engineering at City University of Hong Kong.

Mr. Orr received the Gold Medal award of the 54th World Exhibition of Innovation, Research and New Technology in 2005 (also known as Brussels Eureka 2005). Mr. Orr received the Distinguished Alumni Award of University of Victoria, and Young Industrialists Award of Hong Kong in 2019, Distinguished Young Entrepreneur Grand Award of Guangdong-HK-Macao Bay Area (粵港澳大灣區傑出青年企業家大獎) in 2020 and was selected as the United Nations Sustainable Development Goals Pioneer of China (聯合國可持續發展目標中國先鋒) by the Global Compact Network China of the United Nations (聯合國全球契約中國網絡) in 2020.

Mr. Orr received his Bachelor of Arts degree from University of Victoria in Canada in October 2002; his Master of Business Administration degree from The Hong Kong Polytechnic University in November 2010; and his Master of Public Health degree in Faculty of Medicine of The Chinese University of Hong Kong in November 2015.

Mr. Wu Tak Kong (胡德光), aged 56, was appointed as our independent non-executive Director on 19 December 2019.

From 1987 to 1997, Mr. Wu served as an auditor at accounting firms, an accountant and a company director at a company principally engaged in import and export business, and an accountant at a clothing retail chain trading company, where he was primarily responsible for financial management, supervision and administrative matters. From 1998 to 2009, he served as an accounting manager of Kao Chemical (Hong Kong) Limited (花王化學(香港)有限公司), a company principally engaged in the trading and manufacturing of polyurethane chemical products where he was primarily responsible for the management of the accounting departments in Hong Kong office and the factory in the PRC. From 2009 to 2017, he served at various companies in financial management, financial compliance and financial auditing. Mr. Wu is currently the chief executive officer of a consultancy firm and a director of an accounting firm where he has been primarily responsible for providing auditing and other compliance services to corporate clients.

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

Mr. Wu was admitted as a member and a fellow member of the Association of Chartered Certified Accountants in October 2002 and October 2007, respectively. He has been a member and a practicing member of the Hong Kong Institute of Certified Public Accountants since March 2003 and May 2015, respectively. Mr. Wu was admitted as a member of the Hong Kong Securities and Investment Institute and a fellow member of The Hong Kong Institute of Directors in July 2016 and August 2018, respectively. Mr. Wu received his master's degree in business administration from The Hong Kong Polytechnic University with credit in October 2008.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Du Huanzheng (杜歡政), aged 59, was appointed as our independent non-executive Director on 19 December 2019. From 1984 to August 2013, Dr. Du successively served as a lecturer, associate professor and professor presenting economics, circular economy and statistics related at Jiaxing College (嘉興學院) and became its vice president in April 2003. Since July 2014, Dr. Du has been serving as a professor at Tongji University (同濟大學) where he was primarily responsible for circular economy related teaching and research work. Since March 2018, Dr. Du has been a doctoral supervisor and professor of United Nations Environment Program – Tongji Institute of Environment for Sustainable Development (聯合國環境署－同濟大學環境與可持續發展學院) at Tongji University, where he has been primarily responsible for circular economy related courses teaching and research work. Dr. Du is also a director of Circular Economy Research Institute (循環經濟研究所) at Tongji University. Since August 2020, Dr. Du has been an independent director of ZJMI Environmental Energy Company Limited (浙江物產環保能源股份有限公司), an environmental energy integrated service provider (the shares of which are listed on the Shanghai Stock Exchange since 16 December 2021 with stock code: 603071), where he has been primarily responsible for supervising and providing independent advice to the board.

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

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

SENIOR MANAGEMENT

Mr. Chen Zhen (陳震), aged 52, has been our vice president since September 2017 and has been primarily responsible for the overall management of hazardous waste treatment service segment of our Group.

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

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fung Che Wai, Anthony (馮志偉), aged 53, has been the chief financial officer of our Group since May 2017, where he is primarily responsible for the supervision and management of finance of our Group. Mr. Fung is appointed as the Company Secretary of the Company on 19 December 2019.

Prior to joining our Group, from August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager at Deloitte Touche Tohmatsu, an accounting firm where he was primarily responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung served as a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company where he was primarily responsible for advising the client on corporate finance and investor relations matters. From January 2008 to August 2010, Mr. Fung served as a vice president of NagaCorp Limited (金界控股有限公司), a licensed casino listed on the Main Board of the Stock Exchange (stock code: 3918), where he was primarily responsible for the investor relations matters and liaison with existing and potential investors as well as analysts. From January 2011 to July 2014, Mr. Fung served as the chief financial officer and company secretary of Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司) (now known as Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司)), a property developer listed on the Main Board of the Stock Exchange (stock code: 2098), where he was primarily responsible for financial and compliance matters. From July 2014 to April 2017, Mr. Fung served as the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator listed on the Main Board of the Stock Exchange (stock code: 295), where he was primarily responsible for the overall financial operations, company secretarial matters and investor relations. Since April 2017, Mr. Fung has been an independent non-executive director of FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)有限公司), a financial services provider listed on the growth enterprise market of the Stock Exchange (stock code: 8452), where he has been primarily responsible for supervising and providing independent advice to the board. From July 2017 to October 2021, Mr. Fung served as an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司), a coconut food manufacturer and seller listed on the Main Board of the Stock Exchange (stock code: 1695), where he was primarily responsible for supervising and providing independent advice to the board. Since October 2020, Mr. Fung has been an independent non-executive director of KWG Living Group Holdings Limited (合景悠活集團控股有限公司), a residential and commercial property management services provider listed on the Main Board of the Stock Exchange (stock code: 3913), where he has been primarily responsible for supervising and providing independent advice to the board. Since November 2021, Mr. Fung has been an independent non-executive director of Zhong An Group Limited (眾安集團有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 672), where he has been primarily responsible for supervising and providing independent advice to the board.

Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in October 2001 and September 2005, respectively.

* *For identification purposes only*

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 46 to 119.

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.

BUSINESS REVIEW

A discussion and review on the business activities of the Group, including an indication of likely future development in the Group's businesses and an analysis of the Group's performance during the year ended 31 December 2021 using financial key performance indicators are provided in the "Chairman's Statement" set out on pages 3 to 5 and sections headed "Financial Highlights", "Business Review" and "Financial Performance" under "Management Discussion and Analysis" set out on pages 6 to 12 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 43 to the financial statements. Description of principal risks and uncertainties that the Group may be facing, environmental policies and performance of the Group, compliance with relevant laws and regulations which have a significant impact on the Group and relationship with stakeholders are set out in "Management Discussion and Analysis" on pages 13 to 15 of this annual report. These discussions form part of this report.

CLOSURE OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from 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.

REPORT OF THE DIRECTORS

FIVE YEAR FINANCIAL SUMMARY

A summary of the results the assets, liabilities and non-controlling interests of the Group as at 31 December 2021 and for the last four financial years, as extracted from the published audited financial statements and the prospectus of the Company dated 30 December 2019, as restated as appropriate, is set out on page 120 of this annual report. This summary does not form part of the audited financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2021 are set out in note 1 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution to the shareholders amounted to approximately HK$472.3 million.

DONATIONS

During the year ended 31 December 2021, the Group made charitable and other donations amounting to HK$40,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, purchases attributable to the Group's five largest suppliers and revenue from the Group's five largest customers accounted for approximately 27% and 23% of the Group's total purchases and total revenue, respectively.

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

DIRECTORS

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

Executive Directors

Mr. Zhao Kexi *(Chief Executive Officer)*
Mr. Zhou Chen *(appointed on 1 September 2021)*
Mr. Huang Zhiwan *(resigned on 1 September 2021)*
Mr. Zhang Hailin *(resigned on 10 November 2021)*

Non-executive Directors
Mr. Zhou Min *(Chairman)*
Mr. Li Li
Mr. Li Haifeng

Independent Non-executive Directors
Mr. Orr Ka Yeung, Kevin
Mr. Wu Tak Kong
Dr. Du Huanzheng

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

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

BOARD CHANGES AND CHANGES IN INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES
During the year under review and up to the date of this report, board changes of the Company are as follows:

– Mr. Huang Zhiwan resigned as an executive director of the Company on 1 September 2021;

– Mr. Zhou Chen was appointed as an executive director of the Company on 1 September 2021; and

– Mr. Zhang Hailin resigned as an executive director of the Company on 10 November 2021.

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

– Mr. Zhou Min, the Chairman of the Board, is the father of Mr. Zhou Chen, an executive director of the Company appointed on 1 September 2021; and

– Mr. Orr Ka Yeung, Kevin, an independent non-executive Director of the Company, becoming an industrial advisor to the Technology Transfer Management Committee of The Hong Kong Polytechnic University in October 2020; a general committee member and vice chairman of Sustainability Development Committee of The Chinese Manufacturers' Association of Hong Kong on 1 January 2021; an honorary advisor of the Advisory Committee of Multi-Scale Medical Robotics Center of InnoHK in February 2021; a member of Global Expert Group of "Sustainable Infrastructure for the Belt and Road Initiative to Accelerate the SDGs" Action Platform in Healthcare Sector of United Nations Global Compact on 23 April 2021; a member of Advisory Board Committee of Department of Electronic & Computer Engineering of The Hong Kong University of Science and Technology in May 2021; a member of Beijing Tongzhou District Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議北京市通州區委員會) on 14 December 2021.

– Dr. Du Huanzheng, an independent non-executive Director of the Company, becoming an independent director of ZJMI Environmental Energy Company Limited (浙江物產環保能源股份有限公司) (the shares of which are listed on the Shanghai Stock Exchange since 16 December 2021 with stock code: 603071) on 21 August 2020.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out on pages 27 to 32 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' REMUNERATION

The Directors' fees are subject to the approval of the Company's shareholders at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the Remuneration Committee. Save as disclosed in "Directors' Remuneration" in note 8 to the financial statements, during the year ended 31 December 2021, none of the Directors waived his emoluments nor has agreed to waive his emoluments for the year. Further details of the Company's Directors' remuneration are set out in note 8 to the financial statements.

Further details of the Remuneration Committee are set out in the Corporate Governance Report on page 22 of this annual report.

EMOLUMENT POLICY

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

Employee benefits

Defined contribution plans

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

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

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

During the year ended 31 December 2021, total contributions to the Group's pension scheme contributions charged to profit or loss amounted to approximately HK$220,085,000 (2020: HK$116,304,000).

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty. The Company has taken out and maintained Directors' and officers' liability insurance which provides appropriate cover for, among others, Directors and officers of the Company throughout the year ended 31 December 2021.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and short positions in Shares, underlying shares or debentures of the Company and its Associated Corporations

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the Shares and/or underlying shares of the Company

Name of Directors	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the Company's Issued Share Capital *(Note 1)*
Mr. Zhao Kexi	–	–	39,920,000 *(Note 2)*	–	39,920,000	1.11%
Mr. Zhou Chen *(Note 3)*	71,140,000	–	–	–	71,140,000	1.98%
Mr. Zhou Min	–	–	104,820,000 *(Note 4)*	–	104,820,000	2.91%
Mr. Li Haifeng	1,840,000	–	48,960,000 *(Note 5)*	–	50,800,000	1.41%

Notes:

1. The approximate percentage was calculated on the basis of 3,600,000,000 Shares in issue as at the date of this report.

2. 39,920,000 Shares were held by Long March Holdings Limited ("Long March"), a company wholly-owned by Mr. Zhao Kexi. Accordingly, Mr Zhao Kexi is deemed to have interests in those Shares of Long March under the SFO.

3. Mr. Zhou Chen was appointed as an executive director of the Company on 1 September 2021.

4. 104,820,000 Shares were held by Star Colour Investments Limited ("Star Colour"), a company wholly-owned by Mr. Zhou Min. Accordingly, Mr. Zhou Min is deemed to have interests in those Shares of Star Colour under the SFO.

5. 48,960,000 Shares were held by Maolin Investments Limited ("MIL"), a company wholly-owned by Mr. Li Haifeng. Accordingly, Mr. Li Haifeng is deemed to have interests in those Shares of MIL under the SFO.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2021 were rights to acquire benefits by means of the acquisition of shares or shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 8 and note 40 to the financial statements, no Directors nor a connected entity of a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors nor their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Listing Rules during the year ended 31 December 2021.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, so far as was known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company as disclosed above) had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in the Shares and/or underlying shares of the Company

Name of shareholders	Capacity in which Shares are held	Number of Shares held	Approximate percentage of the Company's issued Share capital *(Note 1)*
Beijing Enterprises Group Company Limited ("BE Group") *(Note 2)*	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Group (BVI) Company Limited ("BE BVI") *(Note 2)*	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Holdings Limited ("BEHL") *(Note 2)*	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Environmental Construction Limited ("BE Environmental") *(Note 2)*	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Water Group Limited ("BEWG") *(Note 2)*	Beneficial interests	1,009,600,000	28.04%

Notes:

1. The approximate percentage was calculated on the basis of 3,600,000,000 Shares in issue as at the date of this report.

2. 1,009,600,000 Shares are held by BEWG. BEWG is directly held as to approximately 40.66% by BE Environmental. BE Environmental is a wholly-owned subsidiary of BEHL, which is deemed to be held as to approximately 62.31% by BE Group through BE BVI and Beijing Holdings Limited (both are BE Group's direct wholly-owned subsidiaries), Beijing Enterprises Investments Limited ("BEIL") (a company being directly held as to 72.72% by BE BVI), and Modern Orient Limited (BEIL's direct wholly-owned subsidiary).

Save as disclosed above, as at 31 December 2021, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

CONNECTED TRANSACTIONS

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year ended 31 December 2021:

1. **Framework Operating and Management Agreement**

   On 1 April 2019, Guigang Environmental Protection, an indirectly wholly-owned subsidiary of BEWG, entered into a framework operating and management agreement (the "Framework O&M Agreement") with Guigang Sanitation, pursuant to which Guigang Sanitation agreed to provide operating and management services in relation to the domestic waste treatment and transfer in certain areas of Guigang city, Guangxi Zhuang autonomous region, for a term commencing from 1 April 2019 to 31 December 2021. The annual cap amounts for the aggregate annual operating and management fees receivable by Guigang Sanitation for the years ended 31 December 2019, 31 December 2020, and 31 December 2021 will be RMB11.2 million, RMB15.3 million and RMB 15.7 million, respectively.

2. **Technical Service Agreement**

   On 20 September 2019, Beijing Enterprises Urban Services (Quannan) Limited* (北控城市服務(全南)有限公司) ("BE Quannan") entered into a technical service agreement (the "Technical Service Agreement") with Hunan BE Well-Point Environmental Science & Technology Limited* (全南縣北控威保特環境科技有限公司) ("Hunan BE Well-Point"), which is indirectly owned as to 40% by BEWG, pursuant to which Hunan BE Well-Point agreed to provide technical services including landfill services and relevant maintenance of landfill facilities to BE Quannan at Quannan county, Jiangxi province, for a term commencing from 1 January 2019 to 31 December 2021. The annual cap amounts for the aggregate annual charge payable by BE Quannan to Hunan BE Well-Point for the years ended 31 December 2019, 31 December 2020, and 31 December 2021 will be RMB4.2 million, RMB4.5 million and RMB4.5 million, respectively.

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

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

(b) on normal commercial terms; and

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

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

RELATED PARTY TRANSACTIONS

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

These mainly relate to the activities in the ordinary course of the Group's business and were negotiated on normal commercial terms and an arm's length basis. Certain transactions set out in note 40 to the financial statements are connected transactions as defined under the Listing Rules and were exempted and complied with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.71 of the Listing Rules during the year ended 31 December 2021 are provided in the section headed "Connected Transactions" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. In the opinion of the Board, throughout the year ended 31 December 2021, save for the deviation as described below, the Company has complied with all the applicable code provisions of the CG Code as set out in Appendix 14 of the Listing Rules.

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 Corporate Governance Report is set out in pages 16 to 26 of this annual report.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

Throughout the year ended 31 December 2021, the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code.

INTERESTS OF THE COMPLIANCE ADVISERS

In accordance with Rule 3A.19 of the Listing Rules, the Company has appointed Somerley Capital Limited ("Somerley Capital") as the compliance adviser. Somerley Capital, being the compliance adviser in relation to the listing of the Shares on the Main Board of Stock Exchange. Pursuant to the agreement dated 2 April 2019 entered into between Somerley Capital and the Company, Somerley Capital will receive fees for acting as the Company's compliance adviser.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM for the re-appointment of Ernst & Young as auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

There were no significant event affecting the Group after 31 December 2021 and up to the date of this annual report.

APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by the Board on 29 March 2022.

On behalf of the Board

Zhou Min
Chairman

29 March 2022

* *For identification purposes only*

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Beijing Enterprises Urban Resources Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 119, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
The Group acquired certain companies engaging in environmental hygiene business and hazardous waste treatment business in prior years and an aggregate goodwill of approximately HK$302 million arose from these acquisitions. The recoverable amounts of the relevant businesses were determined based on the values in use of the Group's environmental hygiene business and hazardous waste treatment business, which were determined based on the future cash flows of the environmental hygiene business and hazardous waste treatment business and discounted to the present values. The assumptions and methodologies used by the Group, including the waste treatment fee and service fee received, operating costs, capital expenditures, growth rates and discount rates, in the projected cash flows had significant effects on the determination of the recoverable amounts of the relevant cash-generating units. We identified the goodwill impairment assessment as a key audit matter because of the significant balance of goodwill and significant management judgement and estimation involved. Related disclosures are included in notes 3 and 15 to the financial statements.	We involved our internal valuation specialists to assist us in evaluating the valuation models, assumptions and parameters used by the Group, giving particular attention to the estimated future revenues and results. Our procedures included testing the assumptions used in the cash flow forecast, assessing the accuracy of previous forecasts by comparing them with the current performance, and evaluating the growth and trading assumptions. We then assessed the disclosures on the impairment testing, and specifically the key assumptions that have the most significant effect on the determination of the recoverable amount of the goodwill, such as the discount rates and growth rates.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Tsang Chiu Hang.

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	5	**4,450,165**	3,520,047
Cost of sales		**(3,288,007)**	(2,433,343)
Gross profit		**1,162,158**	1,086,704
Other income and gains, net	5	**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	7	**(83,267)**	(72,034)
Share of profit of a joint venture		**2,608**	1,247
PROFIT BEFORE TAX	6	**719,058**	703,777
Income tax expense	10	**(136,893)**	(163,365)
PROFIT FOR THE YEAR		**582,165**	540,412
Attributable to:			
Owners of the parent		**502,033**	426,829
Non-controlling interests		**80,132**	113,583
		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		**–**	(397)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**693,317**	769,264
Attributable to:			
Owners of the parent		**595,368**	611,311
Non-controlling interests		**97,949**	157,953
		693,317	769,264
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	12		
Basic and diluted (HK cents)			
For profit for the year		**HK13.95 cents**	HK11.97 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,748,027**	2,283,033
Right-of-use assets	14	**415,393**	395,842
Goodwill	15	**302,383**	295,482
Operating concessions	16	**231,355**	282,873
Other intangible assets	17	**6,036**	4,766
Prepayments, deposits and other receivables	23	**82,507**	69,519
Investment in a joint venture	18	**40,594**	37,223
Equity investment designated at fair value through other comprehensive income		**6,098**	5,952
Receivables under service concession arrangements	16	**134,472**	87,202
Trade receivables	21	**32,807**	34,826
Contract assets	19	**31,891**	60,818
Deferred tax assets	31	**35,898**	21,777
Total non-current assets		**4,067,461**	3,579,313
CURRENT ASSETS			
Inventories	20	**74,072**	47,135
Receivables under service concession arrangements	16	**21,867**	14,835
Trade and bills receivables	21	**1,547,016**	1,097,393
Environmental decommissioning fees receivable	22	**394,932**	329,439
Contract assets	19	**1,792**	7,001
Other tax recoverable	28	**176,275**	173,904
Prepayments, deposits and other receivables	23	**139,191**	106,483
Due from related companies	24	**8,072**	4,059
Due from non-controlling shareholders	24	**17,103**	18,428
Restricted cash and pledged deposits	25	**28,231**	15,051
Cash and cash equivalents	25	**1,688,903**	1,725,283
Total current assets		**4,097,454**	3,539,011
TOTAL ASSETS		**8,164,915**	7,118,324
CURRENT LIABILITIES			
Trade and bills payables	26	**274,973**	233,226
Other payables and accruals	27	**872,265**	966,421
Other taxes payable	28	**24,562**	30,523
Income tax payable		**27,236**	58,731
Due to related companies	24	**6,496**	1,310
Due to non-controlling shareholders	24	**57,822**	45,688
Interest-bearing bank and other borrowings	29	**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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Deferred income	30	**181,842**	169,826
Other payables and accruals	27	**100,316**	119,449
Deferred tax liabilities	31	**40,818**	31,380
Interest-bearing bank and other borrowings	29	**1,912,835**	772,568
Provision for major overhauls	32	**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	33	**360,000**	360,000
Reserves	34	**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

Zhao Kexi
Director

Zhou Chen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Notes	Attributable to owners of the parent									
		Issued capital HK$'000 (note 33)	Share premium HK$'000	Capital reserve HK$'000	Merger reserve HK$'000 (note 34(b))	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000 (note 34(c))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020		270,000	–	1,076,069	(2,170)	(52,978)	86,789	436,110	1,813,820	443,738	2,257,558
Profit for the year		–	–	–	–	–	–	426,829	426,829	113,583	540,412
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	184,879	–	–	184,879	44,370	229,249
Reclassification adjustments for a foreign operation disposed of during the year	37	–	–	–	–	(397)	–	–	(397)	–	(397)
Total comprehensive income for the year		–	–	–	–	184,482	–	426,829	611,311	157,953	769,264
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	67,222	67,222
Transfer between reserves		–	–	–	–	–	69,510	(69,510)	–	–	–
Issue of new shares pursuant to the Share Offer	33	90,000	531,000	–	–	–	–	–	621,000	–	621,000
Share issue expenses		–	(33,564)	–	–	–	–	–	(33,564)	–	(33,564)
Capital reduction from non-controlling shareholders		–	–	–	–	–	–	–	–	(4,494)	(4,494)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	(3,869)	(3,869)
Acquisition of non-controlling interests		–	–	(1,040)	–	–	–	–	(1,040)	(2,759)	(3,799)
Disposal of subsidiaries	37	–	–	–	–	–	–	–	–	(2,253)	(2,253)
At 31 December 2020 and 1 January 2021		360,000	497,436*	1,075,029*	(2,170)*	131,504*	156,299*	793,429*	3,011,527	655,538	3,667,065
Profit for the year		–	–	–	–	–	–	502,033	502,033	80,132	582,165
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	93,335	–	–	93,335	17,817	111,152
Total comprehensive income for the year		–	–	–	–	93,335	–	502,033	595,368	97,949	693,317
Transfer between reserves		–	–	–	–	–	67,292	(67,292)	–	–	–
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	37,330	37,330
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	(27,492)	(27,492)
Acquisition of non-controlling interests		–	–	(108,474)	–	–	–	–	(108,474)	(40,867)	(149,341)
Disposal of subsidiaries		–	–	–	–	–	(184)	–	(184)	–	(184)
At 31 December 2021		360,000	497,436*	966,555*	(2,170)*	224,839*	223,407*	1,228,170*	3,498,237	722,458	4,220,695

* These reserve accounts comprise the consolidated reserves of HK$3,138,237,000 (2020: HK$2,651,527,000) in the consolidated statements of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		719,058	703,777
Adjustments for:			
Depreciation of property, plant and equipment	6	330,520	237,550
Depreciation of right-of-use assets	6	33,991	30,721
Amortisation of operating concessions	6	59,403	47,919
Amortisation of intangible assets	6	820	425
Write-down of inventories to net realisable value	6	1,727	496
Impairment losses of property, plant and equipment	6	–	2,150
Impairment losses of trade receivables, net	6	7,229	4,934
Impairment losses of operating concessions	6	–	7,940
Interest income	5	(33,055)	(15,944)
Finance costs	7	83,267	72,034
Gain on disposal of subsidiaries	5	–	(1,543)
Loss on disposal of items of property, plant and equipment, net	6	3,509	1,416
Share of profit of a joint venture		(2,608)	(1,247)
		1,203,861	1,090,628
Increase in inventories		(27,206)	(251)
Decrease/(increase) in contract assets		35,361	(18,107)
Increase in receivables under service concession arrangements		(51,192)	(45,302)
Increase in trade and bills receivables		(413,457)	(276,904)
Increase in environmental decommissioning fees receivable		(65,493)	(96,337)
Increase in prepayments, deposits and other receivables		(31,371)	(78,077)
Increase in trade and bills payables		35,625	59,975
Increase in other payables and accruals		22,976	162,394
Increase in deferred income		7,780	12,573
		716,884	810,592
Corporate income tax paid in the People's Republic of China (the "PRC" or "Mainland China")		(174,283)	(137,674)
Net cash flows from operating activities		542,601	672,918
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(921,667)	(672,240)
Proceeds from disposal of items of property, plant and equipment		24,847	6,496
Additions of right-of-use assets		(15,233)	(42,156)
Addition of an operating concession	16	(1,690)	(259,830)
Additions to other intangible assets	17	(2,050)	(2,440)
Advance to related companies and non-controlling shareholders		(2,107)	–
Settlement of consideration payable for acquisitions of subsidiaries in prior years		–	(51,307)
Purchase of an equity investment designated at fair value through other comprehensive income		–	(5,614)
Disposal of subsidiaries	37	–	(2,749)
Dividend received from a joint venture		174	–
Decrease/(increase) in restricted cash and pledged deposits		(12,660)	390
Interest received		33,055	15,944
Net cash flows used in investing activities		(897,331)	(1,013,506)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from non- controlling shareholders		**37,330**	67,222
Proceed from issue of shares, net		**–**	603,408
New bank and other borrowings		**1,039,122**	893,386
Repayments of bank and other borrowings		**(511,133)**	(589,998)
Principal portion of lease payments	35	**(41,186)**	(32,347)
Advances from related companies and non-controlling shareholders		**15,980**	32,583
Interest paid		**(74,214)**	(62,524)
Acquisition of non-controlling interests		**(149,341)**	(3,799)
Dividend paid to non-controlling equity holders		**(27,492)**	(3,869)
Net cash flows from financing activities		**289,066**	904,062
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
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,688,903**	1,725,283
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	25	**1,688,903**	1,725,283
Less: Time deposit with maturity of more than three months when acquired		**–**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,688,903**	1,725,283

1. CORPORATE INFORMATION

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

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 Company and its subsidiaries (collectively referred to as the "Group") were 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

Pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company on the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 26 March 2019. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 30 December 2019 (the "Prospectus").

Information about subsidiaries:

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

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Enterprises Urban Services (Tuoketuo) Limited 北控城市服務(托克托)有限公司#	the PRC 15 March 2016	RMB7,590,000	–	100	Environmental hygiene services
Beijing Enterprises Cleaning (Beijing) Urban Environmental Service Limited 北控清道夫(北京)城市環境服務有限公司@	the PRC 1 March 2017	RMB1,960,000	–	51	Environmental hygiene services
Beijing Enterprises Urban Services (Xinji) Limited 北控城市服務辛集有限公司#	the PRC 12 April 2016	RMB15,000,000	–	100	Environmental hygiene services
Beijing Enterprises (Henan) Environmental Development Limited 北控(河南)環境發展有限公司@	the PRC 6 May 2016	RMB6,278,000	–	73	Environmental hygiene services
Beijing Enterprises Urban Services (Renhua) Limited 北控城市服務(仁化)有限公司#	the PRC 1 June 2016	RMB4,000,000	–	100	Environmental hygiene services

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Enterprises (Tangshan) Environmental Service Limited 北控(唐山)環境服務有限公司#	the PRC 28 July 2016	RMB6,000,000	–	100	Environmental hygiene services
Beijing Enterprises (Cangzhou Hejian) Environmental Service Limited 北控(滄州河間)環境服務有限公司#	the PRC 30 September 2016	RMB23,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Nong'an) Limited 北控城市服務(農安)有限公司#	the PRC 11 November 2016	RMB14,500,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Liquan) Limited 北控城市服務(禮泉)有限公司#	the PRC 16 November 2016	RMB9,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Nanxiong) Limited 北控城市服務(南雄)有限公司#	the PRC 22 November 2016	RMB7,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Zhongning) Limited 北控城市服務(中寧)有限公司@	the PRC 2 December 2016	RMB2,100,000	–	70	Environmental hygiene services
Beijing Enterprises (Qinhuangdao) Environmental Service Limited 北控城市服務(秦皇島)有限公司@	the PRC 27 December 2016	RMB18,000,000	–	90	Environmental hygiene services
Beijing Enterprises Urban Services (Hohhot Saihan District) Limited 北控城市服務(呼和浩特市賽罕區)有限公司#	the PRC 11 April 2017	RMB25,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Shaanxi) Limited 北控城市服務(陝西)有限公司#	the PRC 29 December 2016	RMB14,917,550	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Wugong) Limited 北控城市服務(武功)有限公司#	the PRC 16 March 2017	RMB3,642,400	–	100	Environmental hygiene services
Beijing Enterprises (Tangshan) Urban Services Limited 北控(唐山)城市服務有限公司#	the PRC 30 March 2017	RMB5,000,000	–	100	Environmental hygiene services

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Enterprises Urban Services (Hohhot Huimin District) Limited 北控城市服務(呼和浩特市回民區)有限公司#	the PRC 11 April 2017	RMB17,000,000	–	100	Environmental hygiene services
Beijing Enterprises Environmental Investment (Sichuan) Limited 北控城市服務(四川)有限公司@	the PRC 18 May 2017	RMB20,000,000	–	60	Environmental hygiene services
Beijing Enterprises Environmental Investment (Guizhou) Limited 北控環境投資(貴州)有限公司@	the PRC 24 November 2016	RMB13,116,667	–	55	Environmental hygiene services
Beijing Enterprises Urban Services (Xuyong) Limited 北控城市服務(敘永)有限公司@	the PRC 9 August 2017	RMB2,600,000	–	60	Environmental hygiene services
Beijing Enterprises Urban Services (Dafang) Limited 北控城市服務(大方)有限公司#	the PRC 24 August 2017	RMB1,890,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Wuchuan) Limited 北控城市服務(務川)有限公司#	the PRC 1 June 2017	RMB18,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Keyouzhongqi) Limited 北控城市服務(科右中旗)有限公司#	the PRC 9 May 2017	RMB6,566,000	–	100	Environmental hygiene services
Guangxi Guigang Beijing Enterprises Water Environmental Sanitation Services Limited 廣西貴港北控水務環衛服務有限公司#	the PRC 13 September 2013	RMB5,000,000	–	100	Environmental hygiene services
Guangxi Guigang Beijing Enterprises Water Medical Waste Treatment Limited 廣西貴港北控水務醫療廢物處理有限公司#	the PRC 4 July 2014	RMB5,000,000	–	100	Hazardous waste treatment
Beijing Enterprises Urban City (Beijing) Environmental Technology Limited 北控城市(北京)環境科技有限公司#	the PRC 28 March 2017	RMB586,400,000	–	100	Provision of business management services

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Jiangxi Beijing Enterprises Urban Mineral Co., Ltd. 江西北控城市礦產有限公司@	the PRC 21 February 2011	RMB30,000,000	–	59	Provision of waste electrical and electronic equipment treatment services
Shaanxi Beijing Enterprises Recycling Resources Limited 陝西北控再生資源有限公司@	the PRC 18 May 2010	RMB26,540,000	–	65	Provision of waste electrical and electronic equipment treatment services
Shandong Pingfu Environmental Services Limited 山東平福環境服務有限公司@	the PRC 25 January 2008	RMB47,280,000	–	65	Hazardous waste treatment
Beijing Enterprises Urban Services (Cangzhou Nanpi) Limited 北控城市服務(滄州南皮)有限公司#	the PRC 30 October 2017	RMB23,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Qindu) Limited 北控城市服務(秦都)有限公司@	the PRC 31 October 2017	RMB15,000,000	–	75	Environmental hygiene services
Ningjin Beijing Enterprises Urban Services Limited 寧津北控城市服務有限公司@	the PRC 9 August 2017	RMB3,000,000	–	51	Environmental hygiene services
Beijing Enterprises Urban Services Chengde Limited 北控城市服務承德有限公司#	the PRC 10 November 2017	RMB15,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Quannan) Limited 北控城市服務(全南)有限公司#	the PRC 17 November 2017	RMB50,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Yongshou) Limited 北控城市服務(永壽)有限公司@	the PRC 31 October 2017	RMB5,025,000	–	75	Environmental hygiene services
Beijing Enterprises Urban Services (Cangzhou Su'ning) Limited 北控城市服務(滄州肅寧)有限公司#	the PRC 4 January 2018	RMB8,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Gansu) Limited 北控城市服務(甘肅)有限公司@	the PRC 15 December 2017	RMB8,650,000	–	60	Environmental hygiene services

1. CORPORATE INFORMATION *(Continued)*
Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Weifang Beijing Enterprises Environmental Technic Limited 濰坊北控環境技術有限公司@	the PRC 13 June 2016	RMB77,400,000	–	33*	Hazardous waste treatment
Guangxi Beijing Enterprises Urban Resources Limited 廣西北控城市資源有限公司@	the PRC 17 September 2012	RMB36,860,000	–	65	Waste electrical and electronic equipment treatment services
Chongqing Beijing Enterprises Recycled Resources Limited 重慶北控再生資源有限公司@	the PRC 4 November 2010	RMB64,270,000	–	65	Waste electrical and electronic equipment treatment services
Beijing Enterprises Urban Environmental Resources (Yichang) Limited 北控城市環境資源(宜昌)有限公司@	the PRC 23 August 2017	RMB50,000,000	–	100	Solid waste disposal
Xinjiang Beijing Enterprises Environmental Resources Limited 新疆北控環境資源有限公司#	the PRC 24 February 2017	RMB13,232,000	–	100	Hazardous waste treatment
Beijing Enterprises Urban Services (Qingshuihe) Limited 北控城市服務(清水河)有限公司#	the PRC 8 January 2018	RMB5,200,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Changwu) Limited 北控城市服務(長武)有限公司@	the PRC 23 January 2018	RMB4,000,000	–	80	Environmental hygiene services
Beijing Enterprises Urban Services (Xiuwen) Limited 北控城市服務(修文)有限公司@	the PRC 2 February 2018	RMB10,000,000	–	55	Environmental hygiene services
Beijing Enterprises Urban Services (Wugong) Town Sanitation Services Limited 北控城市服務(武功)城鎮環衛服務有限公司@	the PRC 3 May 2018	RMB3,850,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Heshun) Limited 北控城市服務(和順)有限公司#	the PRC 9 May 2018	RMB3,950,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Weicheng) Limited 北控城市服務(渭城)有限公司@	the PRC 2 May 2018	RMB14,000,000	–	70	Environmental hygiene services

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Enterprises Urban Services (Binzhou) Limited 北控城市服務(彬州)有限公司@	the PRC 3 May 2018	RMB9,800,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Baoding Tangxian) Limited 北控城市環境服務(保定唐縣)有限公司#	the PRC 10 April 2018	RMB9,100,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Lankao) Limited 北控城市服務(蘭考)有限公司#	the PRC 28 March 2018	RMB16,603,300	–	100	Environmental hygiene services
Beijing Enterprises (Chuxiong) Environmental Management Limited 北控(楚雄)環境管理有限公司#	the PRC 7 May 2018	RMB4,650,000	–	100	Environmental hygiene services
Chuxiong Beijing Enterprises Environmental Technology Limited 楚雄北控環保科技有限公司#	the PRC 10 May 2018	RMB4,960,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Liquan) Town Sanitation Services Limited 北控城市服務(禮泉)城鎮環衛服務有限公司@	the PRC 3 May 2018	RMB10,000,000	–	60	Environmental hygiene services
Beijing Enterprises Urban Services (Longnan) Limited 北控城市服務(隴南)有限公司@	the PRC 24 May 2018	RMB2,770,000	–	60	Environmental hygiene services
Beijing Enterprises Urban Services (Yanhe) Limited 北控城市服務(沿河)有限公司@	the PRC 11 June 2018	RMB10,000,000	–	55	Environmental hygiene services
Shenyang Beijing Enterprises Huichang Urban Environmental Services Limited 沈陽北控慧昌城市環境服務有限公司@	the PRC 10 July 2018	RMB50,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Xintian) Limited 北控城市服務(新田)有限公司@	the PRC 26 July 2018	RMB20,000,000	–	90	Environmental hygiene services
Beijing Enterprises (Tangshan) Municipal Construction Limited 北控(唐山)市政工程有限公司#	the PRC 3 August 2018	RMB5,000,000	–	100	Environmental hygiene services

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Enterprises Urban Services (Jixian) Limited 北控城市服務(吉縣)有限公司#	the PRC 8 August 2018	RMB5,700,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Lintao) Limited 北控城市服務(臨洮)有限公司@	the PRC 23 August 2018	RMB12,780,000	–	60	Environmental hygiene services
Qihexian Beijing Enterprises Urban Services Limited 齊河縣北控環境服務有限公司@	the PRC 19 September 2018	RMB100,000	–	36*	Environmental hygiene services
Guyuanxian Beijing Enterprises Qingdaofu Environmental Services Limited 沽源縣北控清道夫環境服務有限公司@	the PRC 7 November 2018	RMB6,000,000	–	51	Environmental hygiene services
Beijing Enterprises Urban Services (Yongzhou) Limited 北控城市服務(永州)有限公司#	the PRC 13 November 2018	RMB1,935,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Qingxu) Limited 北控城市服務(清徐)有限公司#	the PRC 14 September 2018	RMB17,600,000	–	100	Environmental hygiene services
Yunnan Beijing Enterprises Environmental Service Limited ("Yunnan") 雲南北控環境服務有限公司@	the PRC 25 July 2017	RMB68,000,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Resources Exploitation (Zigong) Limited 北控城市環境資源開發(自貢)有限公司#	the PRC 2 April 2018	RMB50,000,000	–	100	Hazardous waste treatment
Ningxia Beijing Enterprises Ruiyuan Recycling Resources Limited 寧夏北控睿源再生資源有限公司@	the PRC 27 January 2015	RMB120,000,000	–	61	Hazardous waste treatment
Hubei Pingfu Environmental Technology Limited 湖北平福環境科技有限公司#	the PRC 3 July 2018	RMB20,000,000	–	100	Hazardous waste treatment
Xinjiang Xiyu Beijing Enterprises Environmental Construction Limited 新疆西域北控環境工程有限公司@	the PRC 8 December 2017	RMB17,500,000	–	66	Hazardous waste treatment

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Beijing Enterprises Urban Services (Baoding Dingxing) Limited 北控城市服務(保定定興)有限公司#	the PRC 10 March 2016	RMB10,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Yichang) Limited 北控城市服務(宜昌)有限公司#	the PRC 21 January 2019	RMB20,000,000	–	100	Environmental hygiene services
Jiangsu Beijing Enterprises Jinqiangwei Urban Services Limited 江蘇北控金薔薇城市服務有限公司@	the PRC 7 January 2019	RMB10,000,000	–	60	Environmental hygiene services
Xianju Beijing Enterprises Urban Environmental Technology Limited 仙居北控城市環境科技有限公司#	the PRC 15 October 2018	RMB43,016,565	–	100	Hazardous waste treatment
Beijing Enterprises Zhongyan Properties Management Limited 北京北控中燕物業管理有限公司#	the PRC 6 December 2018	RMB10,000,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Shanxi) Limited 北控城市服務(山西)有限公司@	the PRC 3 September 2018	RMB6,200,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Xian Xincheng) Limited 北控城市服務(西安新城)有限公司#	the PRC 9 September 2019	RMB1,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Zibo) Limited 淄博北控城市服務有限公司@	the PRC 9 September 2019	RMB16,000,000	–	80	Environmental hygiene services
Kunming Xishan Beijing Enterprises Environmental Services Limited 昆明西山北控城市環境服務有限公司@	the PRC 30 July 2019	RMB2,151,600	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Kaiyang) Limited 北控城市服務(開陽)有限公司@	the PRC 28 June 2019	RMB10,000,000	–	55	Environmental hygiene services
Beijing Enterprises Zhongyan Logistics Limited 北京北控中燕運輸有限公司#	the PRC 5 August 2019	RMB3,500,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Shenzhen Baoan) Limited 深圳寶安北控城市服務有限公司@	the PRC 28 February 2020	RMB110,509,800	–	70	Environmental hygiene services

1. CORPORATE INFORMATION *(Continued)*

Information about subsidiaries: *(Continued)*

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

Notes:

Wholly-foreign-owned enterprises under PRC law

@ Chinese-Foreign Equity Joint Venture enterprises under PRC law

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

& Newly setup in 2021

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. 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.

2.2 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	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the 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 based on the Hong Kong Interbank Offered Rate ("HIBOR") and the loan prime rate ("LPR") from the People's Republic 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 not had an impact on the Group's HIBOR and LPR based borrowings. For the LIBOR-based and LPR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply this the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2,5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single* Transaction[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in a joint venture

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations not under common control and goodwill

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations not under common control and goodwill *(Continued)*

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

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

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

Service concession arrangements

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

Under these service concession arrangements:

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements *(Continued)*

Consideration given by the grantor

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

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

Construction services

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

Operating services

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

   (ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

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

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

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

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

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

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

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

(b) *Lease liabilities*

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

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

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

(c) *Short-term leases*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Discontinued operation

Discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale if the carrying amount will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the operation must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such operation and its sale must be highly probable.

In addition, it must satisfy any of following criteria:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

Intangible assets (other than goodwill)

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

Operating concessions

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

Computer software

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due based on historical pattern and credit risk management practices of the Group. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement - loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

Government grants

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) *Provision of environmental hygiene services*

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

(b) *Provision of hazardous waste treatment services*

Revenue from the provision of hazardous waste treatment services is recognised at the point in time when the services are provided to the customers.

(c) *Sale of refined chemical and other products and sales of dismantled products*

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

(d) *Construction services*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from other sources

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

Other income

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

Other employee benefits

Defined contribution plans

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

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

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

The functional currency of the subsidiaries in Mainland China is a currency other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of this entity are translated into Hong Kong dollars at the exchange rate prevailing at the end of the reporting period and its statement of comprehensive income is translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

For the purpose of the consolidated statement of cash flows, the cash flows of the subsidiary is translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the subsidiary which arise throughout the year is translated into Hong Kong dollars at the weighted average exchange rate for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were HK$302,383,000 (2020: HK$295,482,000) at 31 December 2021. Further details are set out in note 15 to the financial statements.

Impairment of property, plant and equipment

The carrying amounts of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount is the higher of its fair value less costs of disposal and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position. The carrying amounts of property, plant and equipment in the consolidated statement of financial position as at 31 December 2021 was HK$2,748,027,000 (2020: HK$2,283,033,000), details of which are set out in note 13 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Provision for expected credit losses on receivables under service concession arrangements, contract assets, trade receivables, environmental decommissioning fees receivable and other receivables

The policy for provision for expected credit losses on receivables under service concession arrangements, contract assets, trade receivables, environmental decommissioning fees receivable and other receivables of the Group is based on an ECL model. A considerable amount of estimation is required in assessing the available information which includes information about past events, current conditions and forecasts future economic conditions to estimate the ECL. The carrying amounts of receivables under service concession arrangements, contract assets, trade receivables, environmental decommissioning fees receivable and other receivables other than prepayments carried as assets in the consolidated statement of financial position as at 31 December 2021 were set out in notes 16, 19, 21, 22 and 23 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) the 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 interest income and finance costs as well as head office and corporate expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Environmental hygiene services		Hazardous waste treatment		Others		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Segment revenue (Note 5)	**3,402,146**	2,820,959	**710,418**	483,073	**337,601**	216,015	**4,450,165**	3,520,047
Cost of sales	**(2,520,090)**	(1,989,707)	**(483,780)**	(284,935)	**(284,137)**	(158,701)	**(3,288,007)**	(2,433,343)
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							**(48,007)**	(79,604)
							(69,603)	(97,250)
Profit before tax							**719,058**	703,777
Income tax expense							**(136,893)**	(163,365)
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	**(65,165)**	(85,157)	**1,971**	(11,393)	**(16,938)**	(17,033)	**(80,132)**	(113,583)
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							**(69,603)**	(97,250)
							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 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
Investment in a joint venture	**–**	–	**40,594**	37,223	**–**	–	**40,594**	37,223
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 PRC during the year.

Information about major customers

During the years ended 31 December 2021 and 2020, no revenue from transactions with a single external customer contributed over 10% of the total revenue of the Group.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

Notes:

(a) Disaggregated revenue information

Revenue from environmental hygiene services and construction services is recognised over time. Revenue from hazardous waste treatment services, the sale of refined chemical and other products, the sale of dismantled products and consultancy services are recognised at a point in time.

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

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Hazardous waste treatment businesses		
– Hazardous waste treatment services	24,250	15,106
Sale of dismantled products	716	363
	24,966	15,469

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

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

5. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

Notes: *(Continued)*

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

	2021 HK$'000	2020 HK$'000
Within one year	**3,444,357**	3,201,341
After one year	**25,528,414**	26,029,713
	28,972,771	29,231,054

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

6. PROFIT BEFORE TAX

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

	Notes	2021 HK$'000	2020 HK$'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	13	**330,520**	237,550
Depreciation of right-of-use assets	14	**33,991**	30,721
Amortisation of operating concessions*	16	**59,403**	47,919
Amortisation of intangible assets	17	**820**	425
Write-down of inventories to net realisable value*		**1,727**	496
Impairment losses of property, plant and equipment#	13	**–**	2,150
Impairment losses of operating concession#	16	**–**	7,940
Impairment losses of trade receivables, net#	21	**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 (note 8)):			
Salaries and benefits in kind		**1,601,831**	1,256,718
Pension scheme contributions		**219,930**	116,214
		1,821,761	1,372,932

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

These items are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowings	84,690	66,574
Interest on other loans	–	2,942
Interest on lease liabilities (note 27)	6,348	6,682
Total interest on bank and other borrowings	91,038	76,198
Increase in discounted amounts of provision for major overhaul arising from the passage of time (note 32)	1,768	2,094
Total finance costs	92,806	78,292
Less: Interest capitalised	(9,539)	(6,258)
	83,267	72,034

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2021 HK$'000	2020 HK$'000
Fees	919	930
Other emoluments:		
Salaries, allowances and benefits in kind	3,268	2,846
Performance-related bonuses	3,525	2,533
Pension scheme contributions	155	90
	7,867	6,399

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Executive directors, non-executive directors and independent non-executive directors:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2021					
Executive directors:					
Mr. Zhao Kexi	**120**	**1,864**	**2,401**	**63**	**4,448**
Mr. Zhang Hailin	**83**	**876**	**840**	**58**	**1,857**
Mr. Huang Zhiwan	**106**	**160**	**–**	**–**	**266**
Mr. Zhou Chen	**40**	**368**	**284**	**34**	**726**
	349	**3,268**	**3,525**	**155**	**7,297**
Non-executive directors:					
Mr. Zhou Min	**60**	**–**	**–**	**–**	**60**
Mr. Li Haifeng	**60**	**–**	**–**	**–**	**60**
Mr. Li Li	**60**	**–**	**–**	**–**	**60**
	180	**–**	**–**	**–**	**180**
Independent non-executive directors:					
Mr. Orr Ka Yeung, Kevin	**120**	**–**	**–**	**–**	**120**
Mr. Wu Tak Kong	**150**	**–**	**–**	**–**	**150**
Dr. Du Huanzheng	**120**	**–**	**–**	**–**	**120**
	390	**–**	**–**	**–**	**390**
	919	**3,268**	**3,525**	**155**	**7,867**
2020					
Executive directors:					
Mr. Zhao Kexi	120	1,747	1,652	45	3,564
Mr. Zhang Hailin	120	952	881	45	1,998
Mr. Huang Zhiwan	120	147	–	–	267
	360	2,846	2,533	90	5,829
Non-executive directors:					
Mr. Zhou Min	60	–	–	–	60
Mr. Li Haifeng	60	–	–	–	60
Mr. Li Li	60	–	–	–	60
	180	–	–	–	180
Independent non-executive directors:					
Mr. Orr Ka Yeung, Kevin	120	–	–	–	120
Mr. Wu Tak Kong	150	–	–	–	150
Dr. Du Huanzheng	120	–	–	–	120
	390	–	–	–	390
	930	2,846	2,533	90	6,399

黃志萬 (Huang Zhiwan) and 張海林 (Zhang Hailin) were resigned as executive directors of the Company on 1 September 2021 and 10 November 2021 respectively. 周塵 (Zhou Chen) was appointed as executive director of the Company on 1 September 2021.

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil). There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2020: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	**4,601**	3,158
Performance related bonuses	**1,556**	2,931
Pension scheme contributions	**163**	81
	6,320	6,170

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

	Number of employees	
	2021	2020
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	1
	4	3

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

10. INCOME TAX

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, because (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.

	2021 HK$'000	2020 HK$'000
Current – Mainland China charge for the year	**141,752**	163,894
Deferred (note 31)	**(4,859)**	(529)
Total tax charge for the year	**136,893**	163,365

10. INCOME TAX *(Continued)*

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

Year ended 31 December 2021

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax	**(35,838)**		**754,896**		**719,058**	
Tax at the statutory tax rate	**(5,913)**	**16.5**	**188,723**	**25.0**	**182,810**	**25.4**
Lower tax rates of specific provinces or enacted by local authorities	**–**	**–**	**(51,078)**	**(6.8)**	**(51,078)**	**(7.1)**
Income not subject to tax	**(293)**	**0.8**	**(13,140)**	**(1.7)**	**(13,433)**	**(1.9)**
Expenses not deductible for tax	**1,544**	**(4.3)**	**19,739**	**2.6**	**21,283**	**3.0**
Tax losses utilised from previous periods	**–**	**–**	**(22,381)**	**(3.0)**	**(22,381)**	**(3.1)**
Tax losses not recognised	**4,662**	**(13.0)**	**15,030**	**2.0**	**19,692**	**2.7**
Tax charge at the effective rate	**–**	**–**	**136,893**	**18.1**	**136,893**	**19.0**

Year ended 31 December 2020

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(43,391)		747,168		703,777	
Tax at the statutory tax rate	(7,160)	16.5	186,792	25.0	179,632	25.5
Lower tax rates of specific provinces or enacted by local authorities	–	–	(46,825)	(6.3)	(46,825)	(6.7)
Income not subject to tax	(909)	2.1	(9,558)	(1.3)	(10,467)	(1.5)
Expenses not deductible for tax	3,001	(6.9)	17,293	2.3	20,294	2.9
Tax losses utilised from previous periods	–	–	(12,921)	(1.7)	(12,921)	(1.8)
Tax losses not recognised	5,068	(11.7)	28,584	3.8	33,652	4.8
Tax charge at the effective rate	–	–	163,365	21.9	163,365	23.2

There was no share of tax attributable to a joint venture during the years ended 31 December 2021 and 2020.

11. DIVIDENDS

Subsequent to the end of the reporting period, the board of directors of the Company has recommended the payment of a final dividend of HK3 cent per share (2020: Nil), totalling approximately HK$108,000,000 for the year ended 31 December 2021 (2020: Nil) to the shareholders of the Company.

12. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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 earnings per share amounts is based on the following:

	2021 **HK$'000**	2020 HK$'000
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	**502,033**	426,829
Number of ordinary shares		
Weighted average number of ordinary shares, used in the basic and diluted earnings per share calculations	**3,600,000,000**	3,565,573,770

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000 (Note a)	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2021							
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	(68,774)	(164,641)	(18,246)	(8,483)	(327,396)	–	(587,540)
Net carrying amount	511,232	497,392	19,609	18,981	657,962	577,857	2,283,033
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	13,829	17,573	643	462	20,793	15,208	68,508
At 31 December 2021, net of accumulated depreciation	637,081	662,408	33,838	19,588	710,299	684,813	2,748,027
At 31 December 2021:							
Cost	750,563	930,093	60,150	29,538	1,188,712	684,813	3,643,869
Accumulated depreciation	(113,482)	(267,685)	(26,312)	(9,950)	(478,413)	–	(895,842)
Net carrying amount	637,081	662,408	33,838	19,588	710,299	684,813	2,748,027

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Note	Buildings HK$'000 (Note a)	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2020								
At 31 December 2019 and 1 January 2020:								
Cost		483,731	556,682	32,404	22,831	718,191	255,230	2,069,069
Accumulated depreciation		(35,305)	(85,211)	(13,578)	(5,261)	(181,130)	–	(320,485)
Net carrying amount		448,426	471,471	18,826	17,570	537,061	255,230	1,748,584
At 1 January 2020, net of accumulated depreciation		448,426	471,471	18,826	17,570	537,061	255,230	1,748,584
Transfers		35,185	68,717	962	155	–	(105,019)	–
Additions		27,934	18,433	4,543	3,321	221,057	396,952	672,240
Disposals		(1,972)	(5,029)	(6)	(187)	(718)	–	(7,912)
Disposal of a subsidiary	37	–	(6,779)	(781)	–	(5,184)	–	(12,744)
Depreciation provided during the year		(27,069)	(74,331)	(5,080)	(2,939)	(128,131)	–	(237,550)
Impairment		–	–	–	–	–	(2,150)	(2,150)
Exchange realignment		28,728	24,910	1,145	1,061	33,877	32,844	122,565
At 31 December 2020, net of accumulated depreciation		511,232	497,392	19,609	18,981	657,962	577,857	2,283,033
At 31 December 2020:								
Cost		580,006	662,033	37,855	27,464	985,358	577,857	2,870,573
Accumulated depreciation		(68,774)	(164,641)	(18,246)	(8,483)	(327,396)	–	(587,540)
Net carrying amount		511,232	497,392	19,609	18,981	657,962	577,857	2,283,033

Notes:

(a) Certain of the Group's buildings with a net carrying amount of HK$214,653,000 (2020: HK$185,451,000) were pledged to secure general banking facilities and other loans granted to the Group as at 31 December 2021 (note 29(a)(iii)).

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

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

	Right-of-use assets			
	Buildings HK$'000	**Motor vehicles** HK$'000	**Leasehold land** HK$'000	**Total** HK$'000
As at 1 January 2020	74,314	38,354	221,851	334,519
Additions	11,432	18,646	42,156	72,234
Depreciation charge	(13,923)	(12,014)	(4,784)	(30,721)
Exchange realignment	121	3,500	16,189	19,810
As at 31 December 2020 and 1 January 2021	**71,944**	**48,486**	**275,412**	**395,842**
Additions	**21,056**	**11,961**	**15,233**	**48,250**
Depreciation charge	**(15,633)**	**(12,972)**	**(5,386)**	**(33,991)**
Exchange realignment	**955**	**274**	**4,063**	**5,292**
As at 31 December 2021	**78,322**	**47,749**	**289,322**	**415,393**

Notes:

(a) Certain of the Group's prepaid land lease payments with a net carrying amount of HK$69,782,000 (2020: HK$68,007,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2021 (note 29(a)(iii)).

(b) Details of the carrying amount of lease liabilities (included under "other payables and accruals") and the movements during the year are set out in note 27 to the financial statements.

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

(d) Total cash outflow for the leases amounted to HK$92,805,000 (2020: HK$109,545,000) for the year ended 31 December 2021.

15. GOODWILL

	2021 HK$'000	2020 HK$'000
Cost and carrying amount at 1 January	**295,482**	279,586
Exchange realignment	**6,901**	15,896
Cost and carrying amount at 31 December	**302,383**	295,482

Impairment testing of goodwill

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

	2021 HK$'000	2020 HK$'000
Environmental hygiene CGUs	**12,526**	12,526
Hazardous waste treatment CGUs	**289,857**	282,956
	302,383	295,482

The recoverable amounts of the relevant business in each of the above operating segments have been determined based on values in use calculation using cash flow projections which are based on financial forecast approved by senior management covering a period of 5 years and based on the assumption that the sizes of the operations remain constant.

Assumptions were used in the value-in-use calculation of the relevant business in the environmental hygiene segment and hazardous waste treatment segment for 31 December 2021 and 2020. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

Discount rates – The pre-tax discount rates applied to the cash flow projections ranged from 13.02% to 17.44% for 2021 and 14.3% to 17.9% for 2020 for the business units of the environmental hygiene segment and hazardous waste treatment segment, which was determined by reference to the average rates for similar industries and the business risks of the relevant business units.

Growth rate – The growth rate used to extrapolate the cash flows beyond the five-year period was 2% for 2021 and 3% for 2020.

Based on the results of the impairment testing of goodwill, in the opinion of management of the Group, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2021 and 2020.

16. SERVICE CONCESSION ARRANGEMENTS

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

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

Name of company as operator	Name of project	Location	Name of grantor	Type of operating concession arrangement	Operating concession period
Beijing Enterprises (Cangzhou Hejian) Environmental Service Limited 北控(滄州河間)環境服務有限公司@	Environmental Sanitation Marketisation Outsourcing PPP Project	Hejian City, Hebei Province	Hejian City Urban Administrative Bureau	TOT on environmental hygiene services	25 years from 2016 to 2041
Beijing Enterprises (Qinhuangdao) Environmental Service Limited 北控城市服務(秦皇島)有限公司@	Urban-Rural Integration Garbage Collection and Transportation Facilities Construction PPP Project	Qinhuangdao, Funing District, Hebei Province	Funing District Urban Administrative Integrated Law Enforcement Bureau	TOT on environmental hygiene services	25 years from 2016 to 2041
Beijing Enterprises Urban Services (Xintian) Limited 北控城市服務(新田)有限公司@	Rural Domestic Waste Treatment PPP Project	Yongzhou City, Hunan Province	Xintian County Urban Administrative and Law Enforcement Bureau	TOT on environmental hygiene services	28 years from 2018 to 2046
Beijing Enterprises Urban Services (Quannan) Limited 北控城市服務(全南)有限公司@	Quannan Urban-Rural Service Urban Integration PPP Project	Quannan City, Jiangxi Province	Quannan City Urban Administrative Bureau	TOT on environmental hygiene service	15 years from 2019 to 2034
Shenzhen Baoan Beijing Enterprises Urban Services Limited 深圳寶安北控城市服務有限公司	Xinqiao and Shajing District Urban-Rural Integration PPP Project	Shenzhen, Guangdong Province	Urban Administration & Enforcement Bureau of Bao'an District	BTO on environmental hygiene service	15 years from 2020 to 2035

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

16. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

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

Operating concessions

	2021 HK$'000	2020 HK$'000
At 1 January:		
Cost	344,135	133,259
Accumulated amortisation and impairment	(61,262)	(19,253)
Net carrying amount	282,873	114,006
Net carrying amount:		
At 1 January	282,873	114,006
Addition	1,690	259,830
Amortisation provided during the year	(59,403)	(47,919)
Impairment provided during the year	–	(7,940)
Reclassification	–	(51,001)
Exchange realignment	6,195	15,897
At 31 December	231,355	282,873
At 31 December:		
Cost	354,240	344,135
Accumulated amortisation and impairment	(122,885)	(61,262)
Net carrying amount	231,355	282,873

Note: One of the Group's operating concession rights with a net carrying amount of approximately HK$38,862,000 (2020: HK$44,033,000) was pledged to secure general banking facilities granted to the Group (note 29(a)(iii)) as at 31 December 2021.

Receivables under service concession arrangements

	2021 HK$'000	2020 HK$'000
Receivables under service concession arrangements	156,339	102,037
Current portion	(21,867)	(14,835)
Non-current portion	134,472	87,202

An impairment analysis is performed at 31 December 2021 and 2020 using the provision matrix approach to measure life-time expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2021, the expected credit loss rates were estimated to range from 0.31% to 3.99% (2020: from 0.85% to 2.86%). The loss allowance for impairment of the receivables under service concession arrangements during the year was not significant to the Group.

17. OTHER INTANGIBLE ASSETS

	Computer software	
	2021	2020
	HK$'000	HK$'000
At the beginning of year		
Cost	**5,653**	3,048
Accumulated amortisation	**(887)**	(558)
Net carrying amount	**4,766**	2,490
Net carrying amount at 1 January	**4,766**	2,490
Additions	**2,050**	2,440
Disposal	**(91)**	–
Amortisation provided during the year	**(820)**	(425)
Exchange realignment	**131**	261
At 31 December	**6,036**	4,766
At 31 December:		
Cost	**7,774**	5,653
Accumulated amortisation	**(1,738)**	(887)
Net carrying amount	**6,036**	4,766

18. INVESTMENT IN A JOINT VENTURE

	2021	2020
	HK$'000	HK$'000
Share of net assets	**40,594**	37,223

Particulars of the joint venture as at the end of the reporting period are as follows:

Name	Place of registration and business	Registered capital	Percentage of ownership interest attributable to the Company		Principal activities
			2021	2020	
Sichuan Jiuzhou Environmental Technology Co., Ltd.	The PRC/ Mainland China	RMB37,000,000	**39%**	39%	Chemical refining business and sale of chemicals

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

	2021	2020
	HK$'000	HK$'000
Share of the joint venture's profit for the year	**2,608**	1,247
Share of the joint venture's other comprehensive income	**937**	3,832
Aggregate carrying amount of the Group's investment in the joint venture	**40,594**	37,223

19. CONTRACT ASSETS

	2021 HK$'000	2020 HK$'000
Contract assets arising from construction services	33,683	67,819
Portion classified as current assets	(1,792)	(7,001)
Non-current portion	31,891	60,818

An impairment analysis is performed at 31 December 2021 and 2020 using the provision matrix approach to measure life-time expected credit losses. The provision rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2021, the expected credit loss rates were estimated to be 0.31% (2020: range from 1.63% to 1.73%). The loss allowance for impairment of the contract assets during the year was not significant to the Group.

20. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	38,663	36,744
Finished goods	35,409	10,391
	74,072	47,135

21. TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	1,579,203	1,123,563
Less: Impairment	(14,236)	(6,754)
	1,564,967	1,116,809
Bills receivable	14,856	15,410
	1,579,823	1,132,219
Portion classified as current assets	(1,547,016)	(1,097,393)
Non-current portion	32,807	34,826

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.

21. TRADE AND BILLS RECEIVABLES *(Continued)*

Notes:

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

	2021 HK$'000	2020 HK$'000
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

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

	2021 HK$'000	2020 HK$'000
At 1 January	6,754	2,541
Impairment losses, net (note 6)	7,229	4,934
Exchange realignment	253	(721)
At 31 December	14,236	6,754

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

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

As at 31 December 2021

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.27%	0.27%	0.49%	2.26%	0.90%
Gross carrying amount (HK$'000)	654,362	182,343	270,272	472,226	1,579,203
Expected credit losses (HK$'000)	1,767	487	1,321	10,661	14,236

As at 31 December 2020

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.23%	0.23%	0.31%	1.43%	0.60%
Gross carrying amount (HK$'000)	309,016	226,092	257,473	330,982	1,123,563
Expected credit losses (HK$'000)	697	520	807	4,730	6,754

22. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	2021 HK$'000	2020 HK$'000
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. Auditor reports would be issued by the independent auditors and submitted to the Central Government for the quantities confirmation results. Subject to the internal procedures for processing the auditor reports, the Central Government would publish online confirmation notices on its website about 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 range from 3 to 4 years.

The Group does not hold any collateral over these balances.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2021, the expected credit loss rates were estimated to range from 0.05% to 0.23% (2020: at 0.05%). The loss allowance for impairment of the receivables during the year was not significant to the Group.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepaid expenses	**53,717**	36,505
Guarantee deposits held by customers	**47,286**	49,842
Prepayments for acquisition of property, plant and equipment	**52,395**	44,705
Prepayments for acquisition of land use rights	**18,012**	13,312
Prepayment for purchase of inventories	**12,437**	1,710
Others	**37,851**	29,928
	221,698	176,002
Portion classified as current assets	**(139,191)**	(106,483)
Non-current portion	**82,507**	69,519

Notes:

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

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2021, the expected credit loss rates were estimated to range from 0.05% to 0.23% (2020: range from 0.05% to 1.71%). The loss allowance for impairment of the deposits and other receivables during the year was not significant to the Group.

24. BALANCES WITH RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS

The balances with related companies and non-controlling shareholders are unsecured, interest-free and have no fixed terms of repayment, except for an aggregate amount of RMB35,997,000, equivalent to HK$43,898,000, (2020: RMB29,653,000, equivalent to HK$35,301,000) advanced from a non-controlling shareholder, which is unsecured, bears interest at the rate of 9% (2020: 9%) per annum and is repayable within one year.

25. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash and bank balances:		
Placed in banks (note (a))	1,210,854	1,264,132
Time deposits:		
Placed in banks (note (a))	506,280	476,202
Total cash and bank balances	1,717,134	1,740,334
Less: Restricted cash and pledged deposits (note (b))	(28,231)	(15,051)
Cash and cash equivalents	1,688,903	1,725,283

Notes:

(a) At 31 December 2021, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$1,533,675,000 (2020: HK$1,578,436,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

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

26. TRADE AND BILLS PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	266,071	225,936
Bills payable	8,902	7,290
	274,973	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:

	2021 HK$'000	2020 HK$'000
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
	266,071	225,936

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

27. OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Accruals	**249,535**	228,723
Contract liabilities	**40,569**	48,018
Lease liabilities (note)	**173,683**	130,654
Payable for acquisition of property, plant and equipment	**404,995**	566,544
Other payables	**103,799**	111,931
	972,581	1,085,870
Portion classified as current liabilities	**(872,265)**	(966,421)
Non-current portion	**100,316**	119,449

Note:

The following is the summarised information of the lease liabilities:

	Note	2021 HK$'000	2020 HK$'000
As at 1 January		**130,654**	113,968
Additions		**33,017**	30,078
Payments		**(41,186)**	(32,347)
Interest expense	7	**6,348**	6,682
Exchange realignment		**44,850**	12,273
As at 31 December		**173,683**	130,654
Analysed into:			
Current portion		**82,115**	26,806
Non-current portion		**91,568**	103,848

28. OTHER TAXES RECOVERABLE/PAYABLE

	2021 HK$'000	2020 HK$'000
Other tax recoverable:		
Value-added tax	**176,275**	173,904
Other taxes payable:		
Value-added tax	**18,188**	27,277
Land use tax	**506**	289
Others	**5,868**	2,957
	24,562	30,523

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021 HK$'000	2020 HK$'000
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
Total bank and other borrowings	**2,315,826**	1,758,638
Portion classified as current liabilities	**(402,991)**	(986,070)
Non-current portion	**1,912,835**	772,568
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**396,491**	955,340
In the second year	**228,338**	191,902
In the third to fifth years, inclusive	**1,443,033**	486,725
Beyond five years	**241,464**	87,595
	2,309,326	1,721,562
Analysed into:		
Other loans repayable:		
Within one year or on demand	**6,500**	30,730
In the second year	**–**	6,346
	6,500	37,076

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

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

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

(ii) The pledge over the Group's equity interest in subsidiaries as at 31 December 2021 and 2020; and

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

	Notes	**2021 HK$'000**	2020 HK$'000
Property, plant and equipment	13	**214,653**	185,451
Right-of-use assets	14	**69,782**	68,007
Operating concession rights	16	**38,862**	44,033
		323,297	297,491

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

	2021 HK$'000	2020 HK$'000
HK$	**1,050,000**	600,000
RMB	**1,265,826**	1,158,638
	2,315,826	1,758,638

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

	2021	2020
Bank loans:		
Secured	**3.9% – 5.4%**	4.1% – 5.5%
Unsecured	**1.8% – 5.5%**	2.1% – 4.8%
Other loans:		
Secured	**4.8%**	4.5% – 5.6%
Unsecured	**N/A**	4.7% – 4.9%

30. DEFERRED INCOME

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

31. DEFERRED TAX

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

	2021 HK$'000	2020 HK$'000
Deferred tax assets	**35,898**	21,777
Deferred tax liabilities	**(40,818)**	(31,380)
	(4,920)	(9,603)

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

	Notes	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Provision for major overhaul HK$'000	Temporary differences related to service concession arrangements HK$'000	Net deferred tax assets/ (liabilities) HK$'000
At 1 January 2020		(8,214)	336	(2,251)	(10,129)
Net deferred tax credited/(charged) to profit or loss	10	638	453	(562)	529
Exchange realignment		124	48	(175)	(3)
At 31 December 2020 and 1 January 2021		(7,452)	837	(2,988)	(9,603)
Net deferred tax credited/(charged) to profit or loss	10	–	166	4,693	4,859
Exchange realignment		(65)	43	(154)	(176)
At 31 December 2021		**(7,517)**	**1,046**	**1,551**	**(4,920)**

Notes:

(a) At 31 December 2021, deferred tax assets have not been recognised in respect of unused tax losses of approximately HK$328,789,000 (2020: HK$340,285,000) as they have arisen in certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, unrecognised tax losses of HK$181,339,000 (2020: HK$204,840,000) will expire in one to five years.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021 and 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the management of the Group, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$1,664,456,000 (2020: HK$1,086,973,000) as at 31 December 2021.

32. PROVISION FOR MAJOR OVERHAULS

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

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

	Note	2021 HK$'000	2020 HK$'000
At 1 January		36,067	5,155
Additions		3,288	26,365
Increase in discounted amounts arising from the passage of time	7	1,768	2,094
Exchange realignment		941	2,453
At 31 December		42,064	36,067

33. SHARE CAPITAL

Shares

	2021 HK$'000	2020 HK$'000
Authorised:		
30,000,000,000 ordinary shares of HK$0.1 each	3,000,000	3,000,000
Issued and fully paid:		
3,600,000,000 ordinary shares of HK$0.1 each	360,000	360,000

The movements in the Company's share capital during the period from 1 January 2020 to 31 December 2021 were as follows:

	Number of ordinary shares of HK$0.1 each	Nominal value of ordinary shares HK$'000
Authorised:		
At 1 December 2020, 31 December 2020 and 31 December 2021	30,000,000,000	3,000,000

	Number of shares in issue of HK$0.1 each	Share capital HK$'000
Issue and fully paid:		
At 1 January 2020	2,700,000,000	270,000
Issue of new shares pursuant to the Share Offer (note)	900,000,000	90,000
At 31 December 2020 and 31 December 2021	3,600,000,000	360,000

33. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

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.

34. RESERVES

(a) Group

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

(b) Merger reserve

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

(c) PRC reserve funds

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

(d) Capital reserve

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

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities:

	Interest-bearing bank and other borrowings HK$'000	Lease liabilities HK$'000	Due to related companies and non-controlling shareholders HK$'000
At 1 January 2020	1,389,781	113,968	1,876
New leases	–	30,078	–
Changes from financing cash flows	303,388	(32,347)	45,014
Interest on lease liabilities	–	6,682	–
Foreign exchange movement	65,469	12,273	108
At 31 December 2020 and 1 January 2021	1,758,638	130,654	46,998
New leases	**–**	**33,017**	**–**
Changes from financing cash flows	**527,989**	**(41,186)**	**15,980**
Interest on lease liabilities	**–**	**6,348**	**–**
Foreign exchange movement	**29,199**	**44,850**	**1,340**
At 31 December 2021	**2,315,826**	**173,683**	**64,318**

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

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

	2021	2020
Percentage of equity interests held by non-controlling interests:		
Qingdao Beijing Enterprises Resources and Environmental Technology Limited and its subsidiaries ("Qingdao Group")	35%	35%
Profit/(loss) for the year allocated to non-controlling interests:		
	HK$'000	HK$'000
Qingdao Group	17,849	23,095
Accumulated balances of non-controlling interests at the reporting date:		
Qingdao Group	364,049	337,744

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

Qingdao Group	2021 HK$'000	2020 HK$'000
Revenue	578,833	378,354
Total expenses	(520,411)	(304,930)
Profit for the year	69,962	80,899
Total comprehensive income for the year	96,639	105,479
Current assets	726,773	568,559
Non-current assets	1,018,552	945,401
Current liabilities	(298,343)	(205,615)
Non-current liabilities	(459,897)	(413,696)
Net cash flows from operating activities	72,993	141,945
Net cash flows used in investing activities	(114,139)	(237,873)
Net cash flows from/(used in) financing activities	60,026	104,412
Net increase/(decrease) in cash and cash equivalents	18,880	8,484

37. DISPOSAL OF SUBSIDIARIES

Year ended 31 December 2020

	Notes	Total HK$'000
Net assets disposed of:		
Property, plant and equipment	13	12,744
Trade receivables		7,538
Prepayments, deposits and other receivables		89
Cash and cash equivalents		9,154
Trade and bills payables		(377)
Other payables and accruals		(21,636)
Non-controlling interests		(2,253)
		5,259
Exchange fluctuation reserve realised		(397)
Gain on disposal of a subsidiary	5	1,543
		6,405
Satisfied by:		
Cash		6,405

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Total HK$'000
Cash consideration	6,405
Cash and cash equivalents disposed of	(9,154)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(2,749)

38. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are included in note 29(a) to the financial statements.

39. COMMITMENTS

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

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for:		
Construction in progress	413,852	447,010
Plant and equipment	127,184	373,511
	541,036	820,521

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the years:

	Notes	2021 HK$'000	2020 HK$'000
Related companies			
Cost of technical service#	(i)	**3,799**	3,753
Cost of garbage transportation service	(ii)	**2,222**	–
Service income#	(iii)	**16,683**	15,249
Sale of uniforms and machinery	(iv)	**2,696**	1,827
Motor vehicle leasing	(v)	**1,579**	–

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

Notes:

(i) During the years ended 2021 and 2020, the Group engaged an associate of Beijing Enterprises Water Group Limited ("BEWG") to provide the waste treatment services, based on terms mutually agreed between the Group and the related party.

(ii) The amount represented the cost of service provided for the provision of garbage transportation to a subsidiary of BEWG.

(iii) The Group entered into an arrangement with the related company to provide entrusted operation service for this related party.

(iv) The amount represented income generated from the sale of uniforms and machinery for the provision of environmental hygiene services to a related company of BEWG.

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

(vi) The Group leased two office buildings from subsidiaries of BEWG with lease terms ranging from 2 to 3 years. The rental fees were RMB160,000 and HK$88,385 per month throughout the contract periods. The financial impact of the leases was included in right-of-use assets and lease liabilities in the financial statements for the year ended 31 December 2021.

(b) Outstanding balances with related parties:

Other than the balances and transactions detailed elsewhere in these financial statements, the Group did not have other significant related party balances as at the end of the reporting period and related party transactions during the reporting period.

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

	2021 HK$'000	2020 HK$'000
Short term employee benefits	**10,060**	10,918
Post-employment benefits	**113**	153
Total compensation paid to key management personnel	**10,173**	11,071

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

41. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at the end of the reporting period were financial assets and financial liabilities at amortised cost, respectively.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax of the Group HK$'000**
For the year ended 31 December 2021		
HK$	**100**	**(20,370)**
HK$	**100**	**20,370**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax of the Group HK$'000
For the year ended 31 December 2020		
HK$	100	(15,740)
HK$	(100)	15,740

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

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

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

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB/HK$ exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in profit before tax HK$'000	**Increase/ (decrease) in equity HK$'000**
For the year ended 31 December 2021		
If HK$ strengthens against RMB by 5%	**(37,744)**	**(246,861)**
If HK$ weakens against RMB by 5%	**37,744**	**246,861**

	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
For the year ended 31 December 2020		
If HK$ strengthens against RMB by 5%	(37,358)	(200,389)
If HK$ weakens against RMB by 5%	37,358	200,389

Credit risk

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

Maximum exposure and year-end staging as at 31 December 2021 and 2020

Management groups financial instruments on the basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining a significant increase in credit risk and the calculation of impairment. The gross carrying amount of each financial asset in the consolidated statements of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2021 and 2020.

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

– significant financial difficulty of the debtor
– a breach of contract such as a default or past due event
– it is probable that the debtor will enter bankruptcy or other financial reorganisation

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging as at 31 December 2021 and 2020 *(Continued)*

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

The Group has established a policy to perform an assessment as at 31 December 2021 and 2020, of whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group classifies its bills receivable and other receivables into Stage 1 as described below:

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

Management also makes periodic collective assessments for the receivables as well as individual assessment on the recoverability of the receivables based on historical settlement records, past experience and other factors. The Group classifies the receivables into different stages by risk and continuously monitored their credit risk. Management believes that there was no material credit risk inherent in the Group's outstanding balances as at 31 December 2021 and 2020.

As at 31 December 2021 and 31 December 2020, all pledged deposits and cash and cash equivalents were deposited with creditworthy financial institutions without significant credit risk.

The Group does not provide any guarantees which would expose the Group or the Company to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from the financial assets are set out in notes 16, 19, 21, 22 and 23 to the financial statements.

Liquidity risk

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

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

At 31 December 2021

	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Over five years HK$'000	Total HK$'000
Trade and bills payables	274,973	–	–	–	274,973
Other payables and accruals	872,265	35,775	40,467	24,074	972,581
Due to related companies	6,496	–	–	–	6,496
Due to non-controlling shareholders	57,822	–	–	–	57,822
Interest-bearing bank and other borrowings	433,193	250,834	1,471,680	255,739	2,411,446
	1,644,749	286,609	1,512,147	279,813	3,723,318

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

At 31 December 2020

	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Over five years HK$'000	Total HK$'000
Trade and bills payables	233,226	–	–	–	233,226
Other payables and accruals	966,421	49,084	40,030	30,335	1,085,870
Due to related companies	1,310	–	–	–	1,310
Due to non-controlling shareholders	45,688	–	–	–	45,688
Interest-bearing bank and other borrowings	1,040,699	240,776	592,218	139,513	2,013,206
	2,287,344	289,860	632,248	169,848	3,379,300

Capital management

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

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

The Group monitors capital using a gearing ratio, which is the aggregate of interest-bearing bank and other borrowings and lease liabilities divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratio as at the end of each of the years was as follows:

	2021 HK$'000	2020 HK$'000
Interest-bearing bank and other borrowings	**2,315,826**	1,758,638
Lease liabilities	**173,683**	130,654
Total debt	**2,489,509**	1,889,292
Total equity	**4,220,695**	3,667,065
Gearing ratio	**59%**	52%

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Note	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSET			
Investment in a subsidiary		**1,316,262**	1,316,262
CURRENT ASSETS			
Due from subsidiaries		**1,067,356**	728,343
Prepayments		**371**	–
Cash and cash equivalents		**50,835**	2,548
Total current assets		**1,118,562**	730,891
CURRENT LIABILITIES			
Other payables and accruals		**6,283**	3,314
Interest-bearing bank borrowing		**150,000**	150,000
Total current liabilities		**156,283**	153,314
NET CURRENT ASSETS		**962,279**	577,577
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,278,541**	1,893,839
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing		**400,000**	–
Net assets		**1,878,541**	1,893,839
EQUITY			
Share capital	33	**360,000**	360,000
Reserves (Note)		**1,518,541**	1,533,839
Total equity		**1,878,541**	1,893,839

Note:

A summary of the Company's reserves is as follows:

	Capital reserve HK$'000	**Share premium** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2020	1,046,262	–	(3,971)	1,042,291
Loss for the year and total comprehensive loss for the year	–	–	(5,888)	(5,888)
Issue of new shares pursuant to the Share Offer	–	531,000	–	531,000
Share issue expenses	–	(33,564)	–	(33,564)
At 31 December 2020 and 1 January 2021	**1,046,262**	**497,436**	**(9,859)**	**1,533,839**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**(15,298)**	**(15,298)**
At 31 December 2021	**1,046,262**	**497,436**	**(25,157)**	**1,518,541**

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2022.

FIVE YEAR FINANCIAL SUMMARY

Year ended 31 December 2021

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and the prospectus of the Company dated 30 December 2019, as restated as appropriate, is set out below.

RESULTS

	Year ended 31 December				
	2021 HK$'000	2020 HK$'000	2019 HK$'000 (Restated)	2018 HK$'000 (Restated)	2017 HK$'000
CONTINUING OPERATIONS					
Revenue	**4,450,165**	3,520,047	2,711,228	1,862,618	776,146
Profit before tax from continuing operations	**719,058**	703,777	433,360	262,868	71,555
Income tax expenses	**(136,893)**	(163,365)	(87,492)	(43,235)	(13,687)
PROFIT FOR THE YEAR FROM CONTINUING OPERATION	**582,165**	540,012	345,868	219,633	57,868
Attributable to:					
Owners of the parent	**502,033**	426,829	269,643	153,350	38,042
Non-controlling interest	**80,132**	113,583	76,225	66,283	19,826
	582,165	540,012	345,868	219,633	57,868
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**–**	–	6,146	252,308	(106,118)
PROFIT/(LOSS) FOR THE YEAR	**582,165**	540,012	352,014	471,941	(48,250)
Attributable to:					
Owners of the parent	**502,033**	426,829	281,328	430,383	(28,522)
Non-controlling interest	**80,132**	113,583	70,686	41,558	(19,728)
	582,165	540,012	352,014	471,941	(48,250)

ASSET, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Total assets	**8,164,915**	7,118,324	4,987,200	4,902,422	3,094,510
Total liabilities	**(3,944,220)**	(3,451,259)	(2,729,642)	(2,757,912)	(1,993,069)
	4,220,695	3,667,065	2,257,558	2,144,510	1,101,441
Equity attributable to owners of the parent	**3,498,237**	3,011,527	1,813,820	1,555,476	763,836
Non-controlling interests	**722,458**	655,538	443,738	589,034	337,605
	4,220,695	3,667,065	2,257,558	2,144,510	1,101,441

北控城市資源集團有限公司
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