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Beijing Enterprises Urban Resources Group Limited

北控城市資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3718)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

- Profit for the year attributable to shareholders of the Company decreased by approximately 44.7% to approximately HK\$277.7 million for the year ended 31 December 2022 as compared to approximately HK\$502.0 million for the year ended 31 December 2021.
- Profit for the year attributable to shareholders of the Company excluding one-off impact of VAT Relief decreased by approximately 41.8% to approximately HK\$277.7 million for the year ended 31 December 2022 as compared to approximately to HK\$476.9 million for the year ended 31 December 2021.
- Basic and diluted earnings per share for the year ended 31 December 2022 were approximately HK7.71 cents (31 December 2021: HK13.95 cents).
- During the year ended 31 December 2022, the Group successfully won 35 new environmental hygiene services projects (2021: 23 projects) through public tenders with total contract value and estimated annual revenue amounting to approximately HK\$8.1 billion and HK\$1,219.6 million, respectively, representing an increase of approximately 200.0% and 126.0% as compared with that of approximately HK\$2.7 billion and HK\$539.6 million for the year ended 31 December 2021.
- A final dividend of HK1 cent per share is proposed for the year ended 31 December 2022. Full-year dividend are HK2 cents, the dividend payout ratio is 25.9%.

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Enterprises Urban Resources Group Limited (the “**Company**”) announces the consolidated annual results and cashflows of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 and the consolidated statement of financial position of the Group as at 31 December 2022, together with comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	3	4,945,818	4,450,165
Cost of sales		<u>(3,939,191)</u>	<u>(3,288,007)</u>
Gross profit		1,006,627	1,162,158
Other income and gains, net	3	82,588	104,812
Administrative expenses		(474,767)	(413,491)
Selling and distribution expenses		(23,855)	(37,412)
Other expenses, net		(57,957)	(16,350)
Finance costs	5	(106,523)	(83,267)
Share of profit of a joint venture		<u>1,446</u>	<u>2,608</u>
PROFIT BEFORE TAX	4	427,559	719,058
Income tax expense	6	<u>(111,577)</u>	<u>(136,893)</u>
PROFIT FOR THE YEAR		<u>315,982</u>	<u>582,165</u>
Attributable to:			
Owners of the parent		277,706	502,033
Non-controlling interests		<u>38,276</u>	<u>80,132</u>
		<u>315,982</u>	<u>582,165</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	7		
Basic and diluted		<u>HK7.71 cents</u>	<u>HK13.95 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	315,982	582,165
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
– Translation of foreign operations	<u>(314,426)</u>	<u>111,152</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>1,556</u>	<u>693,317</u>
Attributable to:		
Owners of parent	13,715	595,368
Non-controlling interests	<u>(12,159)</u>	<u>97,949</u>
	<u>1,556</u>	<u>693,317</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,911,294	2,748,027
Right-of-use assets		387,775	415,393
Goodwill		282,620	302,383
Operating concessions		178,862	231,355
Other intangible assets		8,951	6,036
Prepayments, deposits and other receivables		71,133	82,507
Investment in a joint venture		39,239	40,594
Equity investment designated at fair value through other comprehensive income		5,682	6,098
Receivables under service concession arrangements	<i>9</i>	107,971	134,472
Trade receivables	<i>10</i>	29,276	32,807
Contract assets		15,694	31,891
Deferred tax assets		62,209	35,898
		<hr/>	<hr/>
Total non-current assets		4,100,706	4,067,461
CURRENT ASSETS			
Inventories		57,982	74,072
Receivables under service concession arrangements	<i>9</i>	19,895	21,867
Trade and bills receivables	<i>10</i>	2,235,409	1,547,016
Environmental decommissioning fees receivable	<i>11</i>	402,444	394,932
Contract assets		–	1,792
Other tax recoverable		129,304	176,275
Prepayments, deposits and other receivables		147,675	139,191
Due from related companies		18,228	8,072
Due from non-controlling shareholders		8,877	17,103
Restricted cash and pledged deposits		22,053	28,231
Cash and cash equivalents		1,600,971	1,688,903
		<hr/>	<hr/>
Total current assets		4,642,838	4,097,454
		<hr/>	<hr/>
TOTAL ASSETS		8,743,544	8,164,915

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade and bills payables	12	388,132	274,973
Other payables and accruals		914,683	872,265
Other taxes payable		27,261	24,562
Income tax payable		58,284	27,236
Due to related companies		14,586	6,496
Due to non-controlling shareholders		80,807	57,822
Interest-bearing bank and other borrowings	13	871,281	402,991
		<hr/>	<hr/>
Total current liabilities		2,355,034	1,666,345
		<hr/>	<hr/>
NET CURRENT ASSETS		2,287,804	2,431,109
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,388,510	6,498,570
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Deferred income		201,267	181,842
Other payables and accruals		112,735	100,316
Deferred tax liabilities		36,670	40,818
Interest-bearing bank and other borrowings	13	1,936,581	1,912,835
Provision for major overhauls		43,124	42,064
		<hr/>	<hr/>
Total non-current liabilities		2,330,377	2,277,875
		<hr/>	<hr/>
NET ASSETS		4,058,133	4,220,695
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	360,000	360,000
Reserves		3,007,952	3,138,237
		<hr/>	<hr/>
		3,367,952	3,498,237
		<hr/>	<hr/>
Non-controlling interests		690,181	722,458
		<hr/>	<hr/>
TOTAL EQUITY		4,058,133	4,220,695
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	2022	2021
	HK\$'000	HK\$'000
Net cash flows from operating activities	463,118	542,601
Net cash flows used in investing activities	(768,749)	(897,331)
Net cash flows from financing activities	318,490	289,066
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	12,859	(65,664)
Cash and cash equivalents at beginning of year	1,688,903	1,725,283
Effect of foreign exchange rate changes, net	(100,791)	29,284
	<hr/>	<hr/>
Cash and cash equivalents at end of year	<u>1,600,971</u>	<u>1,688,903</u>

NOTES

1.1 CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company listed its shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

On 13 June 2022, Beijing Enterprises Water Group Limited, which is a limited liability company incorporated in Bermuda and shares of which are listed on the Main Board of the Stock Exchange, and parties acting in concert with it, acquired additional issued shares in the Company and becomes the immediate and the ultimate holding company of the Company.

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

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

1.2 BASIS OF PREPARATION

This announcement has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSS**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investment which has 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 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 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* (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) 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 as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

- (d) *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 amendment that is 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2. OPERATING SEGMENT INFORMATION

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

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

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

	Environmental hygiene services		Hazardous waste treatment		Others		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (Note 3)	4,024,333	3,402,146	612,304	710,418	309,181	337,601	4,945,818	4,450,165
Cost of sales	(3,146,292)	(2,520,090)	(499,528)	(483,780)	(293,371)	(284,137)	(3,939,191)	(3,288,007)
Gross profit	878,041	882,056	112,776	226,638	15,810	53,464	1,006,627	1,162,158
Segment results	488,698	604,352	7,846	137,766	9,340	46,543	505,884	788,661
Corporate and other unallocated income and expenses, net:								
– Interest income							349	173
– Other corporate gains							594	91
– Finance costs							(33,689)	(21,860)
– Corporate and other unallocated expenses							(45,579)	(48,007)
							(78,325)	(69,603)
Profit before tax							427,559	719,058
Income tax expense							(111,577)	(136,893)
Profit for the year							315,982	582,165
Segmental profit for the year	380,407	480,894	2,932	126,114	10,968	44,760	394,307	651,768
Non-controlling interests	(60,282)	(65,165)	26,720	1,971	(4,714)	(16,938)	(38,276)	(80,132)
Owners of the parent	320,125	415,729	29,652	128,085	6,254	27,822	356,031	571,636
Corporate and other unallocated income and expenses, net							(78,325)	(69,603)
							277,706	502,033
Other segment information:								
Share of profit of a joint venture	–	–	1,446	2,608	–	–	1,446	2,608
Impairment losses and write-down of inventories to net realisable value recognised in the consolidated statement of profit or loss, net	34,884	4,956	10,926	4,000	–	–	45,810	8,956
Depreciation and amortisation	407,476	302,289	103,897	115,465	7,299	6,980	518,672	424,734
Capital expenditure*	661,231	359,380	198,858	438,366	4,080	9,606	864,169	807,352

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

Geographical information

- (a) All of the Group's revenue from external customers was derived from the Group's operations in the People's Republic of China (the "PRC") during the 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 2022 and 2021, no revenue from transaction with a single external customer contributed over 10% to the total revenue of the Group.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Revenue from contract customers		
Environmental hygiene services		
– Environmental hygiene services	4,024,333	3,389,233
– Construction services	–	12,913
	<u>4,024,333</u>	<u>3,402,146</u>
Hazardous waste treatment businesses		
– Hazard-free waste disposal services	358,190	444,171
– Sale of refined chemical and other products	254,114	266,247
	<u>612,304</u>	<u>710,418</u>
Sale of dismantled products	<u>224,323</u>	<u>227,101</u>
	4,860,960	4,339,665
Revenue from other source		
Environmental decommissioning fees income	<u>84,858</u>	<u>110,500</u>
	4,945,818	4,450,165
Other income and gains, net		
Interest income	20,759	33,055
Government grants	16,980	20,830
VAT refunds	24,463	18,528
Consultancy services provided	–	16,057
Gain on modification of lease	3,047	–
Gain on disposal of items of property, plant and equipment	3,456	–
Others	13,883	16,342
	<u>82,588</u>	<u>104,812</u>

4. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Cost of inventories sold*	505,292	490,170
Cost of services provided*	3,379,757	2,738,434
Depreciation of property, plant and equipment	421,744	330,520
Depreciation of right-of-use assets	41,721	33,991
Amortisation of operating concessions*	54,142	59,403
Amortisation of intangible assets	1,065	820
Write-down of inventories to net realisable value [#]	7,438	1,727
Impairment losses of trade receivables, net [#]	38,372	7,229
Provision for major overhauls	2,182	3,288
Lease payments under short term leases	43,701	36,386
(Gain)/loss on disposal of items of property, plant and equipment ^{@/#}	(3,456)	3,509
Auditor's remuneration	3,800	3,800
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Salaries and benefits in kind	2,238,993	1,601,831
Pension scheme contributions	251,922	219,930
	<u>2,490,915</u>	<u>1,821,761</u>

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

Included in "Other expenses, net" in the consolidated statements of profit or loss.

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

5. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Interest on bank borrowings	105,673	84,690
Interest on lease liabilities	7,559	6,348
	<u>113,232</u>	<u>91,038</u>
Total interest on bank and other borrowings	113,232	91,038
Increase in discounted amounts of provision for major overhauls arising from the passage of time	1,838	1,768
	<u>115,070</u>	<u>92,806</u>
Total finance cost	115,070	92,806
Less: Interest capitalised	(8,547)	(9,539)
	<u>106,523</u>	<u>83,267</u>

6. INCOME TAX EXPENSE

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 (2021: Nil).

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

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Current – Mainland China charge for the year	142,402	141,752
Deferred	(30,825)	(4,859)
	<u>111,577</u>	<u>136,893</u>
Total tax charge for the year	<u>111,577</u>	<u>136,893</u>

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year ended 31 December 2022 attributable to shareholders of the Company and the weighted average number of ordinary shares of 3,600,000,000 in issue during the years ended 31 December 2022 and 2021.

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

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

Earnings	2022	2021
	HK\$'000	HK\$'000
For profit for the year:		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	<u>277,706</u>	<u>502,033</u>
Number of ordinary shares		
Weighted average number of ordinary shares, used in the basic and diluted earnings per share calculations	<u>3,600,000,000</u>	<u>3,600,000,000</u>

8. DIVIDEND

The Board recommended the payment of a final dividend of HK1 cent per share for the year ended 31 December 2022 (2021: HK3 cents), subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Billed		
Within 3 months	2,320	2,490
4 to 6 months	7,748	8,568
7 to 12 months	9,827	10,809
	<u>19,895</u>	<u>21,867</u>
Unbilled		
Non-current portion*	<u>107,971</u>	<u>134,472</u>
Total	<u>127,866</u>	<u>156,339</u>

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

10. TRADE AND BILLS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	2,294,746	1,579,203
Less: impairment	<u>(50,766)</u>	<u>(14,236)</u>
	<u>2,243,980</u>	<u>1,564,967</u>
Bills receivables	<u>20,705</u>	<u>14,856</u>
	<u>2,264,685</u>	<u>1,579,823</u>
Portion classified as current assets	<u>(2,235,409)</u>	<u>(1,547,016)</u>
Non-current portion	<u>29,276</u>	<u>32,807</u>

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Billed		
Within 3 months	1,085,770	881,754
4 to 6 months	660,172	367,963
7 to 12 months	246,381	137,326
Over 1 year	222,381	145,117
	<u>2,214,704</u>	1,532,160
Unbilled		
Non-current portion	<u>29,276</u>	32,807
Total	<u>2,243,980</u>	<u>1,564,967</u>

11. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Environmental decommissioning fees receivable	<u>402,444</u>	<u>394,932</u>

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

The Group does not hold any collateral over these balances.

12. TRADE AND BILLS PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	359,326	266,071
Bills payable	<u>28,806</u>	<u>8,902</u>
	<u>388,132</u>	<u>274,973</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	92,435	183,343
1 to 2 months	47,980	22,575
2 to 3 months	39,243	16,486
Over 3 months	<u>179,668</u>	<u>43,667</u>
	<u>359,326</u>	<u>266,071</u>

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Secured bank loans	852,655	1,036,194
Unsecured bank loans	1,955,207	1,273,132
Secured other loan	<u>–</u>	<u>6,500</u>
Total bank and other borrowings	2,807,862	2,315,826
Portion classified as current liabilities	<u>(871,281)</u>	<u>(402,991)</u>
Non-current portion	<u>1,936,581</u>	<u>1,912,835</u>

14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised: At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>30,000,000,000</u>	<u>3,000,000</u>
	Number of share in issue of HK\$0.1 each	Share capital <i>HK\$'000</i>
Issued and fully paid: At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>3,600,000,000</u>	<u>360,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

The analysis of the Group's financial results, by business segments, for the years ended 31 December 2022 and 2021 is set out in details below:

	Revenue			Gross profit margin			Profit attributable to shareholders of the Company		
	2022 HK\$'000	2021 HK\$'000	Change %	2022 %	2021 %	Change %	2022 HK\$'000	2021 HK\$'000	Change %
Environment hygiene services	4,024,333	3,402,146	18.3%	21.8%	25.9%	(4.1)%	320,125	415,729	(23.0)%
Hazardous waste treatment business									
– Hazard-free waste disposal projects	358,190	444,171	(19.4)%	18.7%	37.5%	(18.8)%	12,689	81,150	(84.4)%
– Recycling and reuse projects	254,114	266,247	(4.6)%	18.0%	22.6%	(4.6)%	16,963	46,935	(63.9)%
Subtotal	612,304	710,418	(13.8)%	18.4%	31.9%	(13.5)%	29,652	128,085	(76.8)%
Others	309,181	337,601	(8.4)%	5.1%	15.8%	(10.7)%	6,254	27,822	(77.5)%
Business results	4,945,818	4,450,165	11.1%	20.4%	26.1%	(5.7)%	356,031	571,636	(37.7)%
Corporate and other unallocated income and expenses, net							(78,325)	(69,603)	12.5%
Total							277,706	502,033	(44.7)%

IMPACTS OF COVID-19

In 2022, the Omicron variant of COVID-19 sparked a pandemic in China and all over the world, resulting in a complicated and challenging business environment. The sharp increase in the number of infected cases disturbed the daily life of the general public. Faced with the severe situation of the pandemic, the Chinese government responded decisively by actively adopting pandemic prevention policies, such as rolling out static management across certain provinces and cities in China in view of the pandemic and imposing travel and work restrictions, making an all-out effort to prevent the variant from spreading. Affected by the pandemic, the upstream enterprises of the Group's hazardous waste treatment service projects could maintain limited operations, and shrinking in the operation scale of the upstream enterprises led to a decrease in hazardous waste treatment volume in total by the Group. The Group's gross profit margin in the hazardous waste treatment services decreased from approximately 32% for the 2021 financial year to approximately 18% for the 2022 financial year. Since November 2022, the Chinese government has been optimizing and adjusting pandemic prevention and control policies in light of changing circumstances, the Chinese economy has therefore quickly recovered from the COVID-19 pandemic, the actual treatment volume of the Group's hazard-free waste disposal projects is steadily increasing, and the environmental hygiene services market will also rapidly expand.

BUSINESS REVIEW

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

Environmental hygiene services

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

As at 31 December 2022, the Group had 152 environmental hygiene services projects, the movements of which, during the year ended 31 December 2022, were as follow:

	Number of projects
As at 1 January 2022	128
Newly added	35
Terminated to operate	(11)
	<hr/>
As at 31 December 2022	152
	<hr/>

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

Operating Models	Number of projects
Operation & Maintenance (“O&M”)	147
Public-Private-Partnership (“PPP”)	
• Build-Transfer-Operate	1
• Transfer-Operate-Transfer	4
	<hr/>
Total	152
	<hr/>

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

During the year ended 31 December 2022, the Group successfully won 35 new environmental hygiene services projects through public tenders with total contract value and estimated annual revenue amounting to approximately HK\$8.1 billion and HK\$1,219.6 million, respectively. During the year ended 31 December 2022, the Group had recognised a total amount of approximately HK\$456.7 million as revenue in respect of these 35 projects.

As at 31 December 2022, the Group had a total contracted area of approximately 241.8 million sq.m. (31 December 2021: 226.4 million sq.m.) with its environmental hygiene services projects, which created an average annual revenue of approximately HK\$13.3 per sq.m. (2021: HK\$11.2 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.

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 2022, the Group had 9 hazardous waste treatment projects in operation. As of 31 December 2022, treatment facilities of our projects that engaged in hazard-free waste disposal had a total designed treatment capacity of 351,016 tons per annum (2021: 351,016 tons) and treatment facilities of projects that engaged in recycling and reuse had a total designed treatment capacity of 270,000 tons per annum (2021: 250,000 tons). As of 31 December 2022, the Group also had 3 projects under construction.

Other business

Other business represents waste electrical and electronic equipment treatment business. As of 31 December 2022, 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 2022, revenue from our waste electrical and electronic equipment treatment business amounted to approximately HK\$309.2 million (2021: HK\$337.6 million), representing approximately 6.3% (2021: 7.6%) of our total revenue.

FINANCIAL PERFORMANCE

Revenue and gross profit margin

The Group's total revenue increased by approximately 11.1% from approximately HK\$4,450.2 million for the year ended 31 December 2021 to approximately HK\$4,945.8 million for the year ended 31 December 2022, primarily due to increase in revenue from the Group's environmental hygiene services.

Environmental hygiene services

During the year ended 31 December 2022, the Group recorded a total revenue of approximately HK\$4,024.3 million (year ended 31 December 2021: HK\$3,402.1 million) from its environmental hygiene services projects. As at 31 December 2022, the Group had a total of 152 environmental hygiene services projects (31 December 2021: 128).

The gross profit margin of the Group's environmental hygiene services projects decreased from 25.9% for the year ended 31 December 2021 to 21.8% for the year ended 31 December 2022, partly because there was a value-added-tax relief (“**VAT Relief**”) granted by the local government in the PRC during the year ended 31 December 2021. There were no such kind of relief granted by the local government in the PRC during the year ended 31 December 2022.

The following table sets forth the financial impacts of the VAT Relief on the revenue and gross profit margin of the Group's environmental hygiene services projects for the years ended 31 December 2022 and 2021:

	For the year ended	
	31 December	
Environmental hygiene services	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4,024,333	3,402,146
Less: VAT Relief	<u>–</u>	<u>(38,939)</u>
Revenue excluding VAT Relief	<u>–</u>	<u>3,363,207</u>
Cost of sales	<u>3,146,292</u>	<u>2,520,090</u>
Gross profit excluding VAT Relief	878,041	843,117
Gross profit margin excluding VAT Relief	<u>21.8%</u>	<u>25.1%</u>

The gross profit margin (excluding the effect of the VAT Relief) of the Group's environmental hygiene services projects decreased to approximately 21.8% for the year ended 31 December 2022 from 25.1% during the year ended 31 December 2021, mainly due to the increase in labour costs and prices of gasoline and diesel fuel.

During the year ended 31 December 2022, the minimum wages of certain cities or provinces (e.g. Beijing, Shanxi Province, Shandong Province and Guangdong Province, etc) in which the Group operates its environmental hygiene services projects were adjusted upward pursuant to the notices of minimum wages issued by the local governments in the PRC. As labour costs of the Group's environmental hygiene services workers account for a significant part of the Group's direct costs, the gross profit margin of the Group's environmental hygiene services projects decreased accordingly. In addition, the market price of gasoline and diesel fuel have been on an increasing trend from the second half of 2021 onwards. During year ended 31 December 2022, the average prices of gasoline and diesel fuel had increased significantly by approximately 22% and 25%, respectively, when compared with the average prices for the year ended 31 December 2021. As gasoline and diesel fuel account for a major part of the direct costs of the Group's environmental hygiene services projects, the gross profit margin of the Group's environmental hygiene services projects further decreased.

Hazardous waste treatment services

During the year ended 31 December 2022, the Group recorded a total revenue of HK\$612.3 million (year ended 31 December 2021: HK\$710.4 million) from its hazardous waste treatment services projects. Due to the impacts of the pandemic in the PRC during the year ended 31 December 2022, the upstream enterprises of the Group's hazardous waste treatment service projects could only maintain limited operations. The reduction in operating scale of upstream enterprises caused a decrease in overall hazardous waste volume treated by the Group. As such, the Group's revenue from hazardous waste treatment services decreased.

The Group's gross profit margin of its hazardous waste treatment services projects decreased from 31.9% for the year ended 31 December 2021 to 18.4% for the year ended 31 December 2022.

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		
	2022	2021	Change	2022	2021	Change	2022	2021	Change
Revenue (HK\$'000)	358,190	444,171	(19.4)%	254,114	266,247	(4.6)%	612,304	710,418	(13.8)%
Actual treatment/sales volume (tons)	186,269	204,584	(9.0)%	48,212	60,089	(19.8)%	234,481	264,673	(11.4)%
Average sales price (HK\$/ton)	<u>1,923</u>	<u>2,171</u>	<u>(11.4)%</u>	<u>5,271</u>	<u>4,431</u>	<u>19.0%</u>	<u>2,611</u>	<u>2,684</u>	<u>(2.7)%</u>

As at 31 December 2022, the Group has 6 hazard-free waste disposal projects in operation. The plants were mainly located in Shandong Province, Hubei Province and Sichuan Province. The actual treatment volume of the Group's hazard-free waste disposal projects decreased from 204,584 tons for the year ended 31 December 2021 to 186,269 tons for the year ended 31 December 2022. The decrease was mainly attributable to the decrease 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) by 8,492 tons and 9,330 tons, respectively.

* For identification purpose only

More rivals entered into the market which led to the drop in average sale price of hazard-free waste disposal services from HK\$2,171 per ton for the year ended 31 December 2021 to HK\$1,923 per ton for the year ended 31 December 2022. Meanwhile, there was an increase in operating cost during the year, which was mainly due to a surge in purchase prices of direct materials and consumables, such as sodium hydroxide and other consumables. As such, the Group's gross profit margin in the hazard-free waste disposal services decreased from 37.5% for the year ended 31 December 2021 to 18.7% for the year ended 31 December 2022.

As at 31 December 2022, the Group had 3 recycling and reuse projects in operation. The plants were mainly located in Ningxia Province and Hubei Province. The average sales price of the Group's recycling and reuse projects increased from HK\$4,431 per ton for the year ended 31 December 2021 to HK\$5,271 per ton for the year ended 31 December 2022 due to the continuous increase in the market price of methanol, ethanol and butanol during the year ended 31 December 2022. However, due to the significant increase in the procurement costs of waste methanol and mixed alcohol during the year ended 31 December 2022, the gross profit margin of the Group's recycling and reuse projects decreased from 22.6% for the year ended 31 December 2021 to 18.0% for the year ended 31 December 2022.

Administrative expenses

Administrative expenses for the year ended 31 December 2022 increased to HK\$474.8 million, as compared to the corresponding period of last year of HK\$413.5 million. The increase was mainly due to increase in salaries, wages and welfare and office expenses in the amount of HK\$37.6 million and HK\$12.4 million, respectively, as a result of continuous business expansion.

Other expenses, net

Other expenses, net for the year ended 31 December 2022 increased to HK\$58.0 million, as compared to the corresponding period of last year of HK\$16.4 million. The increase was mainly due to increase in impairment losses of trade receivables and write-down of inventories to net realisable value in the amount of HK\$31.1 million and HK\$5.7 million, respectively.

Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK\$106.5 million (year ended 31 December 2021: HK\$83.3 million). The increase in finance costs was mainly due to (i) the increase in interest-bearing bank and other borrowings and (ii) the increase in the market interest rates charged during the year ended 31 December 2022.

Income tax expense

The income tax expense decreased from HK\$136.9 million for the year ended 31 December 2021 to HK\$111.6 million for the year ended 31 December 2022, mainly because of the decrease in the operating taxable profits of the Group.

Property, plant and equipment

Property, plant and equipment consist of buildings, plant and machinery, furniture, fixtures and equipment, motor vehicles, construction in progress. The increase in property, plant and equipment for the year ended 31 December 2022 was mainly due to the purchase of motor vehicles mainly for new environmental hygiene services projects.

Right-of-use-assets

Right-of-use assets represented right to use assets over the life of leases, which consist of buildings, motor vehicles and leasehold lands. Decrease in right-of-use assets was mainly due to depreciation provided during the year ended 31 December 2022.

Goodwill

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

Operating concessions

Operating concessions represented arrangements involving the Group as a provider of environmental hygiene services on behalf of the relevant government agencies for a period of 15 to 28 years. Decrease in operating concessions was mainly due to amortisation charged to the consolidated statement of profit of loss.

Receivables under service concession arrangements

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

Trade and bills receivables

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

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

	As of 31 December	
	2022	2021
Average trade and bills receivable turnover days (<i>days</i>)	<u>142</u>	<u>111</u>

Environmental decommissioning fee receivable

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

Prepayments, deposit and other receivables

Decrease in prepayments, deposit and other receivables was mainly due to decrease in the prepayments for acquisition of property, plant and equipment in HK\$3.6 million.

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.

Other payables and accruals

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

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 2022 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 2022, the Group's cash and cash equivalents amounted to approximately HK\$1,601.0 million (31 December 2021: approximately HK\$1,688.9 million).

As at 31 December 2022, the Group's bank and other borrowings amounted to HK\$2,807.9 million (31 December 2021: HK\$2,315.8 million).

The net gearing ratio (defined as bank and other borrowings, net of cash and cash equivalents, divided by the total equity) was 29.7% as at 31 December 2022 (31 December 2021: 14.9%). The increase in the net gearing ratio as at 31 December 2022 was mainly due to the drawdown of bank borrowings for continuous business expansion.

Capital expenditure

During the year ended 31 December 2022, the Group's total capital expenditures were HK\$864.2 million (2021: HK\$807.4 million), out of which HK\$793.3 million, HK\$4.5 million, HK\$49.8 million and HK\$16.6 million (2021: HK\$755.4 million, HK\$2.0 million, HK\$48.3 million and HK\$1.7 million) were paid for the additions of property, plant and equipment, other intangible assets, right-of-use assets and operating concessions, respectively.

FUTURE OUTLOOK

Looking forward to 2023, with further implementation of policies in favor of stabilizing economic development by the Chinese government for vigorously promoting high quality development and pursuing progress while ensuring stability for the economy of China, the market and business environment, will develop towards positive direction generally and the demand for the related businesses of the Group is expected to be further released. In addition, under the target mission of “Promoting Green Transformation for Development Methods”, the Chinese local governments will continue to promote construction of “waste-free cities”, to perform better in ecological protection, to respond to climate change and coordinately encourage carbon and pollution reduction, expanding green area, endeavoring to keep our skies blue, waters clear and lands clean. It is expected that the actual volume treated by the Group's hazard-free waste disposal projects will gradually increase along with a rapid expansion of the environmental hygiene services market.

By closely following the development trend of policies and seizing market opportunities, the Group will strengthen its organizational vitality and actively build up its business capacity with an aim to fulfill the development strategic goals. By always focusing on “service quality”, the Group will optimize its management of customer service to maximize its operation strength. The Board surely believes that the operating level of the Group will be further enhanced and developed rapidly since 2023 onwards.

CHARGES ON THE GROUP’S ASSETS

The secured bank and other borrowings of the Group as at 31 December 2022 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 2022 and 2021; and
- (ii) pledges over certain of the Group’s property, plant and equipment, right-of-use assets, operating concession rights and trade and bills receivables as at 31 December 2022 and 2021.

Save as disclosed above, as at 31 December 2022, 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 (2021: 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 2022, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed 51,367 employees (31 December 2021: 42,175 employees) with total staff cost of approximately HK\$2,490.9 million incurred for the year ended 31 December 2022 (year ended 31 December 2021: approximately HK\$1,821.8 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There were no significant investments, material acquisition and disposal of subsidiaries by the Group for the year ended 31 December 2022.

IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REPORTING PERIOD

There was no important event affecting the Group since 31 December 2022 and up to the date of this announcement.

DIVIDEND

The Board proposed to pay a final dividend of HK1 cent per ordinary share (the "**Proposed Final Dividend**") for the year ended 31 December 2022 (2021: HK3 cents). The Proposed Final Dividend is subject to shareholders' approval at the annual general meeting of the Company to be held on June 2023, and is payable to shareholders of the Company whose names appear on the register of members of the Company on Thursday, 15 June 2023.

CLOSURES OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Friday, 2 June 2023 to Wednesday, 7 June 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Wednesday, 7 June 2023, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 1 June 2023.

For Entitlement to Proposed Final Dividend

The register of members will be closed from Tuesday, 13 June 2023 to Thursday, 15 June 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the Proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 12 June 2023. 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 Monday, 10 July 2023.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 December 2022.

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 2022, save as the deviation as described below, the Company had complied with all the applicable code provisions set out in the CG Code.

The code provision F.2.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting of the Company held on 7 June 2022 (the “**2022 AGM**”), Mr. Zhou Min, the Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2022 AGM, Mr. Zhou authorized and the Directors attending the meeting elected Mr. Wu Tak Kong, an independent non-executive director and the chairman of Audit Committee of the Company, to chair the meeting. Respective chairmen or representatives of the audit, remuneration and nomination committee of the Company were present at the 2022 AGM and were available to answer relevant questions, which was in compliance with other part of code provision F.2.2.

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

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all the Directors, all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors namely Mr. Wu Tak Kong (the chairman of the Audit Committee), Mr. Orr Ka Yeung, Kevin and Dr. Du Huanzheng. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control of the Company. The annual results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of the Listing Rules have been complied with, in the preparation of relevant results, and sufficient disclosures have been made.

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

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2022, consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2022. The work performed by the Company's auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company's auditor on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.beur.net.cn) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

APPRECIATION

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

By Order of the Board
Beijing Enterprises Urban Resources Group Limited
Zhou Min
Chairman

Hong Kong, 29 March 2023

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