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Beijing Enterprises Urban Resources Group Limited

北控城市資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3718)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$2,541.1 million for the six months ended 30 June 2023, representing an increase of approximately 6.1% as compared with that of approximately HK\$2,394.9 million for the six months ended 30 June 2022.
- Profit for the period attributable to shareholders of the Company increased by approximately 20.5% to approximately HK\$193.4 million for the six months ended 30 June 2023 as compared to approximately HK\$160.5 million for the six months ended 30 June 2022.
- Basic and diluted earnings per share for the six months ended 30 June 2023 were approximately HK5.37 cents (six months ended 30 June 2022: HK4.46 cents).
- Net cash flows from operating activities for the six months ended 30 June 2023 was approximately HK\$288.4 million (six months ended 30 June 2022: HK\$272.3 million).
- Interim cash dividend of HK1.2 cents per share is declared for the six months ended 30 June 2023 (six months ended 30 June 2022: HK1 cent).

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Enterprises Urban Resources Group Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results and cash flows of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 and the unaudited interim condensed consolidated statement of financial position as at 30 June 2023, together with comparative figures for the corresponding period in 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
REVENUE	3	2,541,144	2,394,883
Cost of sales		<u>(1,956,193)</u>	<u>(1,905,236)</u>
Gross profit		584,951	489,647
Other income and gains, net	3	45,270	35,747
Administrative expenses		(240,365)	(220,045)
Selling and distribution expenses		(14,939)	(10,154)
Other expenses		(9,700)	(12,599)
Finance costs	5	(63,262)	(45,877)
Share of profits and losses of joint ventures		<u>(1,127)</u>	<u>2,289</u>
PROFIT BEFORE TAX	4	300,828	239,008
Income tax expense	6	<u>(76,399)</u>	<u>(62,099)</u>
PROFIT FOR THE PERIOD		<u>224,429</u>	<u>176,909</u>
Attributable to:			
Owners of the parent		193,355	160,483
Non-controlling interests		<u>31,074</u>	<u>16,426</u>
		<u>224,429</u>	<u>176,909</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted	7	<u>HK5.37 cents</u>	<u>HK4.46 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	224,429	176,909
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(197,672)</u>	<u>(184,899)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>26,757</u>	<u>(7,990)</u>
Attributable to:		
Owners of the parent	23,887	1,404
Non-controlling interests	<u>2,870</u>	<u>(9,394)</u>
	<u>26,757</u>	<u>(7,990)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,816,247	2,911,294
Right-of-use assets		339,178	387,775
Goodwill		270,877	282,620
Operating concessions		174,603	178,862
Other intangible assets		8,011	8,951
Prepayments, deposits and other receivables		65,391	71,133
Investments in joint ventures		37,520	39,239
Equity investment designated at fair value through other comprehensive income		5,433	5,682
Receivables under service concession arrangements	9	97,729	107,971
Trade receivables	10	28,003	29,276
Contract assets		15,011	15,694
Deferred tax assets		54,914	62,209
		3,912,917	4,100,706
TOTAL non-current assets			
CURRENT ASSETS			
Inventories		63,516	57,982
Receivables under service concession arrangements	9	19,030	19,895
Trade and bills receivables	10	2,317,186	2,235,409
Environmental decommissioning fees receivable	11	411,038	402,444
Other tax recoverable		122,452	129,304
Prepayments, deposits and other receivables		161,976	174,780
Restricted cash and pledged deposits		21,362	22,053
Cash and cash equivalents		1,282,178	1,600,971
		4,398,738	4,642,838
TOTAL current assets			
		8,311,655	8,743,544
TOTAL ASSETS			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2023

		30 June	31 December
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
CURRENT LIABILITIES			
Trade and bills payables	12	344,578	388,132
Other payables and accruals		808,505	1,010,076
Other taxes payable		14,243	27,261
Income tax payable		46,184	58,284
Interest-bearing bank and other borrowings	13	684,427	871,281
		<u>1,897,937</u>	<u>2,355,034</u>
Total current liabilities		1,897,937	2,355,034
NET CURRENT ASSETS			
		<u>2,500,801</u>	<u>2,287,804</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>6,413,718</u>	<u>6,388,510</u>
NON-CURRENT LIABILITIES			
Deferred income		192,325	201,267
Other payables and accruals		78,644	112,735
Deferred tax liabilities		33,811	36,670
Interest-bearing bank and other borrowings	13	2,010,782	1,936,581
Provision for major overhauls		56,996	43,124
		<u>2,372,558</u>	<u>2,330,377</u>
Total non-current liabilities		2,372,558	2,330,377
NET ASSETS			
		<u>4,041,160</u>	<u>4,058,133</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	360,000	360,000
Reserves		2,995,839	3,007,952
		<u>3,355,839</u>	<u>3,367,952</u>
Non-controlling interests		<u>685,321</u>	<u>690,181</u>
TOTAL EQUITY		<u>4,041,160</u>	<u>4,058,133</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash flows from operating activities	288,390	272,305
Net cash flows used in investing activities	(378,608)	(319,249)
Net cash flows used in financing activities	<u>(171,909)</u>	<u>(42,164)</u>
Net decrease in cash and cash equivalents	(262,127)	(89,108)
Cash and cash equivalents at beginning of period	1,600,971	1,688,903
Effect of foreign exchange rate changes, net	<u>(56,666)</u>	<u>(52,298)</u>
Cash and cash equivalents at end of period	<u>1,282,178</u>	<u>1,547,497</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 holding company of the Company. The ultimate holding company is Beijing Enterprises Group Company Limited (北京控股集團有限公司) which is a state-owned enterprise established in the PRC and wholly owned by the People’s Government of Beijing Municipality.

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

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

1.2 BASIS OF PREPARATION

This unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). It is unaudited but has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 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. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's unaudited interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) 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 Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 12 *Deferred Tax* related to *Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 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 (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group 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 recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The adoption of the amendments has had no significant impact on the Group's unaudited interim condensed consolidated financial information.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2. OPERATING SEGMENT INFORMATION

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

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

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

	Environmental hygiene services for the six months ended 30 June		Hazardous waste treatment for the six months ended 30 June		Others for the six months ended 30 June		Total for the six months ended 30 June	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Segment revenue (Note 3)	2,166,830	1,922,785	306,463	302,134	67,851	169,964	2,541,144	2,394,883
Cost of sales	(1,650,402)	(1,505,278)	(244,380)	(250,800)	(61,411)	(149,158)	(1,956,193)	(1,905,236)
Gross profit	<u>516,428</u>	<u>417,507</u>	<u>62,083</u>	<u>51,334</u>	<u>6,440</u>	<u>20,806</u>	<u>584,951</u>	<u>489,647</u>
Segment results	<u>319,968</u>	<u>238,720</u>	<u>13,578</u>	<u>5,011</u>	<u>10,557</u>	<u>16,086</u>	<u>344,103</u>	<u>259,817</u>
Corporate and other unallocated income and expenses, net:								
– Interest income							1,003	188
– Other corporate gains							950	811
– Finance costs							(31,532)	(12,207)
– Corporate and other unallocated expenses							(13,696)	(9,601)
							<u>(43,275)</u>	<u>(20,809)</u>
Profit before tax							300,828	239,008
Income tax expense							(76,399)	(62,099)
Profit for the period							<u>224,429</u>	<u>176,909</u>
Segmental profit for the period	249,875	180,694	7,276	1,298	10,553	15,726	267,704	197,718
Non-controlling interests	(35,173)	(23,746)	8,153	14,896	(4,054)	(7,576)	(31,074)	(16,426)
Owners of the parent	<u>214,702</u>	<u>156,948</u>	<u>15,429</u>	<u>16,194</u>	<u>6,499</u>	<u>8,150</u>	<u>236,630</u>	<u>181,292</u>
Corporate and other unallocated income and expenses, net							(43,275)	(20,809)
							<u>193,355</u>	<u>160,483</u>
Other segment information:								
Share of profits and losses of joint ventures	(45)	–	(1,082)	2,289	–	–	(1,127)	2,289
Impairment losses and write-down of inventory to net realisable value recognised in the condensed consolidated statement of profit or loss, net	2,841	2,799	2,455	6,207	–	–	5,296	9,006
Depreciation and amortisation	235,149	160,149	62,890	62,307	3,252	3,543	301,291	225,999
Capital expenditures*	<u>211,806</u>	<u>386,790</u>	<u>131,819</u>	<u>154,448</u>	<u>220</u>	<u>1,606</u>	<u>343,845</u>	<u>542,844</u>

* Capital expenditures consist of additions to property, plant and equipment, right-of-use assets 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 period.
- (b) Over 90% of the Group's non-current assets were derived from the Group's operations in the PRC during the period.

Information about major customers

During the six months ended 30 June 2023 and 2022, no revenue from transactions with a single external customer contributed over 10% of the total revenue of the Group.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

		For the six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
	Note	(Unaudited)	(Unaudited)
Revenue from contracts with customers			
Environmental hygiene services businesses			
– Environmental hygiene services	(a)	<u>2,166,830</u>	<u>1,922,785</u>
Hazardous waste treatment businesses			
– Hazardous waste treatment services	(a)	<u>177,051</u>	182,282
– Sale of refined chemical and other products	(a)	<u>129,412</u>	<u>119,852</u>
		<u>306,463</u>	<u>302,134</u>
Sale of dismantled products	(a)	<u>43,686</u>	<u>118,906</u>
		2,516,979	2,343,825
Revenue from other source			
Environmental decommissioning fees income		<u>24,165</u>	<u>51,058</u>
		<u>2,541,144</u>	<u>2,394,883</u>

	<i>Note</i>	For the six months ended 30 June	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Other income and gains, net			
Interest income		8,822	6,297
Government grants	<i>(b)</i>	9,671	9,774
VAT refunds	<i>(c)</i>	3,844	11,918
VAT super deduction	<i>(d)</i>	12,369	4,053
Sale of scarp materials		2,971	1,949
Others		7,593	1,756
		45,270	35,747
		45,270	35,747

Notes:

(a) Disaggregated revenue information

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

(b) The government grants recognised during the period 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.

(d) Certain subsidiaries are also entitled to an additional VAT super deduction of 10% to 15% of the input VAT under the rules issued by the PRC State Administration of Taxation, the Ministry of Finance and the General Administration of Customs China.

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold*	199,016	288,825
Cost of services provided*	1,729,710	1,588,690
Depreciation of property, plant and equipment	252,518	178,030
Depreciation of right-of-use assets	20,705	19,748
Amortisation of intangible assets	601	500
Amortisation of operating concessions*	27,467	27,721
Impairment losses of trade receivables, net [#]	3,409	3,614
Write-down of inventories to net realisable value [#]	1,887	5,392
Loss/(gain) on disposal of items of property, plant and equipment ^{#@}	346	(221)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Salaries and benefits in kind	1,152,550	906,908
Pension scheme contributions	148,461	133,754
	1,301,011	1,040,662

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

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

[@] Included in "Other income and gains, net" in the condensed consolidated statement of profit or loss.

5. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	63,125	44,577
Interest on lease liabilities	2,512	3,866
Total interest expense	65,637	48,443
Increase in discounted amounts of provision for major overhaul arising from the passage of time	2,765	927
Total finance costs	68,402	49,370
Less: Interest capitalised	(5,140)	(3,493)
	63,262	45,877

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made during the six months ended 30 June 2023 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2022: Nil).

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

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Mainland China charge for the period	80,085	71,981
Deferred	(3,686)	(9,882)
	<hr/>	<hr/>
Total tax charge for the period	76,399	62,099

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the six months ended 30 June 2023 attributable to shareholders of the Company and the weighted average number of ordinary shares of 3,600,000,000 in issue during the six months ended 30 June 2023 and 2022.

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

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

	For the six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	<u>193,355</u>	<u>160,483</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. DIVIDENDS

On 25 August 2023, the Board declared an interim dividend of HK1.2 cents (six months ended 30 June 2022: HK1 cent) per ordinary share amounting to a total of approximately HK\$43,200,000 (six months ended 30 June 2022: HK\$36,000,000).

9. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivables under service concession arrangements represented the Group's unconditional right to receive cash or another financial asset for the construction and system installation service provided and/or the consideration paid and payable by the Group for the right to charge users of the public service under service concession arrangements. The non-current portion receivables represented contract assets as the rights to considerations have yet to be unconditional.

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Billed:		
Within 3 months	2,219	2,320
4 to 6 months	7,411	7,748
7 to 12 months	9,400	9,827
	<u>19,030</u>	<u>19,895</u>
Unbilled:		
Non-current portion*	97,729	107,971
Total	<u>116,759</u>	<u>127,866</u>

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

10. TRADE AND BILLS RECEIVABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade receivables	2,384,426	2,294,746
Less: impairment	<u>(51,820)</u>	<u>(50,766)</u>
	2,332,606	2,243,980
Bills receivables	<u>12,583</u>	<u>20,705</u>
	2,345,189	2,264,685
Portion classified as current assets	<u>(2,317,186)</u>	<u>(2,235,409)</u>
Non-current portion	<u>28,003</u>	<u>29,276</u>

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

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 3 month	928,777	1,085,770
4 to 6 months	574,269	660,172
7 to 12 months	516,356	246,381
Over 1 year	285,201	222,381
	2,304,603	2,214,704
Unbilled	28,003	29,276
	2,332,606	2,243,980

11. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Environmental decommissioning fees receivable	411,038	402,444

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

The Group does not hold any collateral over these balances.

12. TRADE AND BILLS PAYABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade payables	320,664	359,326
Bills payable	<u>23,914</u>	<u>28,806</u>
	<u>344,578</u>	<u>388,132</u>

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 1 month	34,929	92,435
1 to 2 months	52,681	47,980
2 to 3 months	46,410	39,243
Over 3 months	<u>186,644</u>	<u>179,668</u>
	<u>320,664</u>	<u>359,326</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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Secured bank loans	916,674	852,655
Unsecured bank loans	<u>1,778,535</u>	<u>1,955,207</u>
Total bank and other borrowings	2,695,209	2,807,862
Portion classified as current liabilities	<u>(684,427)</u>	<u>(871,281)</u>
Non-current portion	<u>2,010,782</u>	<u>1,936,581</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 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<u>30,000,000,000</u>	<u>3,000,000</u>
	Number of shares in issue of HK\$0.1 each	Share capital <i>HK\$'000</i>
Issue and fully paid: At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<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 six months ended 30 June 2023 and 2022 is set out in details below:

	Revenue			Gross profit margin			Profit attributable to shareholders of the Company		
	2023 HK\$'000	2022 HK\$'000	Change %	2023 %	2022 %	Change %	2023 HK\$'000	2022 HK\$'000	Change %
Environmental hygiene services	2,166,830	1,922,785	12.7%	23.8%	21.7%	2.1%	214,702	156,948	36.8%
Hazardous waste treatment business									
– Hazard-free waste disposal projects	177,051	182,282	(2.9)%	19.7%	18.1%	1.6%	7,348	10,881	(32.5)%
– Recycling and reuse projects	129,412	119,852	8.0%	21.1%	15.3%	5.8%	8,081	5,313	52.1%
Subtotal	306,463	302,134	1.4%	20.3%	17.0%	3.3%	15,429	16,194	(4.7)%
Others	67,851	169,964	(60.1)%	9.5%	12.2%	(2.7)%	6,499	8,150	(20.3)%
Business results	2,541,144	2,394,883	6.1%	23.0%	20.4%	2.6%	236,630	181,292	30.5%
Corporate and other unallocated income and expenses, net							(43,275)	(20,809)	108.0%
Total							193,355	160,483	20.5%

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 30 June 2023, the Group had 152 environmental hygiene services projects, the movements of which, during the six months ended 30 June 2023, were as follow:

	Number of projects
As at 1 January 2023	152
Newly added	16
Terminated to operate	<u>(16)</u>
As at 30 June 2023	<u>152</u>

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

Operating Models	Number of projects
Operation & Maintenance (“ O&M ”)	146
Public-Private-Partnership (“ PPP ”)	
• Build-Transfer-Operate	2
• Transfer-Operate-Transfer	4
	<hr/>
Total	<u>152</u>

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 governments 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 six months ended 30 June 2023, the Group successfully won a total of 16 environmental hygiene service projects through public tenders with total contract value and estimated annual revenue amounting to approximately HK\$1.4 billion and HK\$281.0 million, respectively. During the six months ended 30 June 2023, the Group had recorded a total amount of approximately HK\$47.8 million as revenue in respect of these 16 projects.

As at 30 June 2023, the Group had a total contracted area of approximately 248.6 million sq.m. (31 December 2022: 241.8 million sq.m.) with its environmental hygiene service projects, which created an average revenue of approximately HK\$7.4 per sq.m. (six months ended 30 June 2022: HK\$6.3 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. In addition, the reutilization technology also covers the storage, transportation, treatment, dehydration and product separation systems of silicon copper slag and etching solution wastewater, deodorization facilities and related auxiliary facilities. The wet disposal process is used to separate and recycle silicon copper slag, which becomes a useful supplement to the hazard-free business.

As at 30 June 2023, the Group had 9 hazardous waste treatment projects in operation. As of 30 June 2023, the total design treatment capacity of treatment facilities that engaged in hazard-free disposal is 351,016 tons per annum (31 December 2022: 351,016 tons). On the same day, the total design treatment capacity of treatment facilities that engaged in recycling and reuse was 270,000 tons per annum (31 December 2022: 270,000 tons). As of 30 June 2023, the Group also has 3 projects under construction, including the technical process of recycling copper-containing waste to obtain sponge copper products for sale and extracting iodine to prepare crude iodine. It is expected that the relevant formal operation qualification will be obtained or approved this year.

The Group expects that after these projects are officially put into operation, they will combine the local characteristics of hazard-free waste, expand the recycling business and stabilize the hazard-free business at the same time. In addition, the Group's hazardous waste sector will continue to learn from the projects in operation with advanced experience, and plan to explore and develop the projects of saving and increasing resources, improve the efficiency of recycling projects, save energy and reduce consumption, and contribute to the construction of local ecological civilisation.

Other business

Other business represents waste electrical and electronic equipment treatment business. As of 30 June 2023, 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 dismantled equipment include computers, refrigerators, television sets, washing machines and air conditioners.

For the six months ended 30 June 2023, revenue from our waste electrical and electronic equipment treatment business amounted to approximately HK\$67.9 million (six months ended 30 June 2022: HK\$170.0 million), representing approximately 2.7% (six months ended 30 June 2022: 7.1%) of the Group's total revenue.

FINANCIAL PERFORMANCE

Revenue and gross profit margin

The Group's total revenue increased by approximately 6.1% from approximately HK\$2,394.9 million for the six months ended 30 June 2022 to approximately HK\$2,541.1 million for the six months ended 30 June 2023, primarily due to increase in revenue from the Group's environmental hygiene services.

The Group's gross profit margin increased from 20.4% for the six months ended 30 June 2022 to 23.0% for the six months ended 30 June 2023, primarily due to increase in gross profit margin from the Group's environmental hygiene services and hazardous waste treatment services.

Environmental hygiene services

During the six months ended 30 June 2023, the Group recorded a total revenue of HK\$2,166.8 million (six months ended 30 June 2022: HK\$1,922.8 million) from its environmental hygiene service projects. As at 30 June 2023, the Group had a total of 152 environmental hygiene service projects (30 June 2022: 134).

The gross profit margin of the Group's environmental hygiene services increased from 21.7% for the six months ended 30 June 2022 to 23.8% for the six months ended 30 June 2023, primarily due to (i) improvements in the Group's operating efficiency; and (ii) a decrease in the prices of major direct costs.

The Group continuously focuses on enhancing operational efficiency and has incorporated advanced technology into the business processes. The Group requires municipal workers to wear smart devices with GPS trackers and installed remote fuel monitors on cleaning vehicles. This allows the Group to track real-time working progress of municipal workers as well as the cleaning vehicles' fuel usage. The data gathered through these devices is transmitted to the Group's cloud platform, where the integrated management platform conducts real-time surveillance and evaluation based on the data.

In addition, the Group won a number of environmental hygiene project tenders in South China region. The Group strategically allocated cleaning vehicles, labour and other resources to each project and executed centralised management in South China region to improve operational efficiencies.

All these measures and factors have facilitated the Group's efforts in enhancing operational efficiencies, resulting in an increase in the profit margin of the Group's environmental hygiene services.

During the six months ended 30 June 2023, the average prices of gasoline and diesel fuel decreased by approximately 9% and 11%, respectively, compared to the corresponding period of last year. Furthermore, there was no significant changes in the minimum wages of certain cities or provinces that the Group operated its environmental hygiene services projects during the six months ended 30 June 2023. As labour cost, 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 increased accordingly.

Hazardous waste treatment services

During the six months ended 30 June 2023, the Group recorded a total revenue of HK\$306.5 million (six months ended 30 June 2022: HK\$302.1 million) from its hazardous waste treatment services projects.

The Group's gross profit margin of its hazardous waste treatment services projects increased from 17.0% for the six months ended 30 June 2022 to 20.3% for the six months ended 30 June 2023.

The following table sets forth an analysis of the actual treatment or sales volume and the sales price of the Group's hazardous waste treatment service projects:

	Hazard-free waste disposal projects			Recycling and reuse projects			Total		
	Six months ended 30 June		Change	Six months ended 30 June		Change	Six months ended 30 June		Change
	2023	2022		2023	2022		2023	2022	
Revenue (HK\$'000)	<u>177,051</u>	<u>182,282</u>	<u>(2.9)%</u>	<u>129,412</u>	<u>119,852</u>	<u>8.0%</u>	<u>306,463</u>	<u>302,134</u>	<u>1.4%</u>
Actual treatment/sale volume (tons)	<u>102,249</u>	<u>85,024</u>	<u>20.3%</u>	<u>25,730</u>	<u>20,749</u>	<u>24.0%</u>	<u>127,979</u>	<u>105,773</u>	<u>21.0%</u>
Average sales price (HK\$/ton)	<u>1,732</u>	<u>2,144</u>	<u>(19.2)%</u>	<u>5,030</u>	<u>5,776</u>	<u>(12.9)%</u>	<u>2,395</u>	<u>2,856</u>	<u>(16.1)%</u>
Average sales price [#] (equivalent to RMB/ton)	<u>1,524</u>	<u>1,780</u>	<u>(14.4)%</u>	<u>4,426</u>	<u>4,794</u>	<u>(7.7)%</u>	<u>2,108</u>	<u>2,370</u>	<u>(11.1)%</u>

[#] For illustration purpose only

As at 30 June 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. Due to the recovery of economy in China, customers had resumed to operate their factories gradually during the six months ended 30 June 2023. Accordingly, the actual treatment volume of the Group's hazard-free waste disposal projects increased from 85,024 tons for the six months ended 30 June 2022 to 102,249 tons for the six months ended 30 June 2023. The 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), Yaojiagang Industrial Waste Treatment Project in Yichang City* (宜昌市姚家港工業廢物處理項目) and Weifang Beijing Enterprises Environmental Technical Limited* (濰坊北控環境技術有限公司) by 4,609 tons, 2,428 tons and 12,657 tons, respectively.

* For identification purpose only

Since more rivals entered into hazard-free waste disposal business, the average sales price of the Group's hazard-free waste disposal projects decreased from HK\$2,144 per ton for the six months ended 30 June 2022 to HK\$1,732 per ton for the six months ended 30 June 2023.

The gross profit margin of the Group's hazard-free waste disposal projects increased to 19.7% for the six months ended 30 June 2023 (six months ended 30 June 2022: 18.1%). The increase was mainly attributable to (i) decrease in purchase prices of direct costs such as sodium hydroxide and other consumables; and (ii) increase in utilisation of treatment capacities of the Group's hazard-free waste disposal projects.

The Group's recycling and reuse products mainly consist of recycled methanol, ethanol and sponge copper. The average sales price of the Group's recycling and reuse projects decreased from HK\$5,776 per ton for the six months ended 30 June 2022 to HK\$5,030 per ton for the six months ended 30 June 2023, mainly due to (i) changes in sales mix and (ii) a decrease in the market price of methanol and butanol during the period.

The gross profit margin of the Group's recycling and reuse products increased from 15.3% for the six months ended 30 June 2022 to 21.1% for the six months ended 30 June 2023. Since the second half of 2022, the Group has provided waste copper recycling service. The gross profit margin of sales of sponge copper was relatively higher than that of the existing recycling and reuse products. Hence, the gross profit margin of the Group's recycling and reuse products increase accordingly.

Administrative expenses

Administrative expenses for the six months ended 30 June 2023 increased to HK\$240.4 million, as compared to the corresponding period in 2022 of HK\$220.0 million. The increase was mainly due to the increase in salaries, wages and welfare and office expenses, as a result of continuous business expansion.

Finance costs

Finance costs mainly comprised of interests on bank and other borrowings. The increase in finance costs was mainly due to the increase in the market interest rates during the six months ended 30 June 2023.

Income tax expense

The income tax expense increased from HK\$62.1 million for the six months ended 30 June 2022 to HK\$76.4 million for the six months ended 30 June 2023, mainly because of the increase 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 and construction in progress. The decrease in property, plant and equipment during the six months ended 30 June 2022 was mainly due to depreciation provided during the six months ended 30 June 2023 and Renminbi (“**RMB**”) depreciation.

Right-of-use-assets

Right-of-use assets consist of buildings, motor vehicles and prepaid land lease premium. Decrease in right-of-use assets was mainly due to depreciation provided during the six months ended 30 June 2023 and RMB depreciation.

Goodwill

Goodwill mainly represented the goodwill arose from the acquisition of subsidiaries in 2018 or before and the decrease was mainly due to RMB depreciation.

Operating concessions

Operating concessions represented arrangements involving the Group as a provider of environmental hygiene services on behalf of the relevant government agencies. Decrease in operating concessions was mainly due to amortisation provided during the six months ended 30 June 2023.

Receivables under service concession arrangements

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

Trade and bills receivables

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

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

	30 June 2023	31 December 2022
Average trade and bills receivable turnover days (<i>days</i>)	<u>165</u>	<u>142</u>

Environmental decommissioning fees receivable

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

Prepayments, deposits and other receivables

Decrease in prepayments, deposits and other receivables was mainly due to (i) the decrease in prepayments for acquisition of property, plant and equipment; and (ii) the decrease in prepayment for purchase of inventories.

Cash and cash equivalents

Cash and cash equivalents decreased by HK\$318.8 million which was mainly due to repayments of bank and other borrowings and settlements of payables for acquisition of property, plant and equipment during the period.

Trade and bills payables

Trade and bills payables mainly represented payables due to third parties for the procurement of raw materials used for Group's hazardous waste treatment business and fuel used by Group's mechanised vehicles and other consumables used for environmental hygiene services. The decrease was mainly due to the settlements of procurement of raw materials and RMB depreciation.

Other payables and accruals

Other payables and accruals mainly represented payables for acquisition of property, plant and equipment, accruals for the Group's expenses, dividend payable, lease liabilities and payables to related parties and non-controlling shareholders. The decrease was mainly due to decrease in payables for acquisition of property, plant and equipment and lease liabilities.

Interest-bearing bank and other borrowings

Decrease in bank and other borrowings was mainly due to repayments of bank borrowings during the six months ended 30 June 2023.

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 RMB. Surplus cash is generally placed in short-term deposits denominated in HK\$ and RMB.

As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately HK\$1,282.2 million (31 December 2022: approximately HK\$1,601.0 million).

As at 30 June 2023, the Group's bank and other borrowings amounted to HK\$2,695.2 million (31 December 2022: HK\$2,807.9 million).

The net gearing ratio (defined as bank and other borrowings, net of cash and cash equivalents (the "**Net Debt Amounts**"), divided by the total equity) was 35.0% as at 30 June 2023 (31 December 2022: 29.7%). The increase in net gearing ratio was mainly due to increase in the Net Debt Amounts and decrease in total equity during the period.

Capital expenditures

During the six months ended 30 June 2023, the Group's total capital expenditures were HK\$343.8 million (six months ended 30 June 2022: HK\$542.8 million), out of which HK\$292.5 million, HK\$51.2 million and HK\$0.1 million (six months ended 30 June 2022: HK\$514.1 million, HK\$25.1 million and HK\$3.6 million) were paid for the additions of property, plant and equipment, right-of-use assets and other intangible assets, respectively.

FUTURE OUTLOOK

2023 is the year of intensive implementation of policies related to supporting urban and rural living environments that is in line with the spirit of 20th National Congress of Chinese Communist Party. It is a year where the city's environmental and sanitation facilities are updated, and efforts to improve garbage classification are comprehensively implemented. Amidst significant industrial development opportunities, the Group is actively advancing its five-year strategic plan, adhering to the strategic development framework of "One Body, Two Engines". This framework centers around the "Six Forces System" (brand power, market power, product power, operational power, digital power, and security power) as the core competitive strength. The two major strategic development engines are "Regional Cultivation" and "Coordinated Development". On one hand, we adhere to the principle of "responsibility and accountability in safeguarding the territory," employing the governance concept of "standardized control + supportive services + localized management" to assist in the comprehensive capacity-building at the regional level. On the other hand, we establish effective cooperation between the headquarters of our parent company, Beijing Enterprises Water Group Limited, and its key regional subsidiaries, facilitating interconnectivity of water and sanitation services, customer engagement, implementation of incentive policies, and multidimensional collaborative management mechanisms.

In order to strengthen our capability to respond to external business needs, as well as to create a growth rate that outperform average market growth levels, the Group has launched an upgraded business strategy, that is the "Comprehensive Management Services+", which took the "urban operation services" up to the level of "urban and rural comprehensive management services". The strategy will create strong capacity for the comprehensive management demands from different local governments, while continuously building up the business integration and resource inclusiveness of the Group.

Based on the differentiated competitive advantages of the Group, "Comprehensive Management Services+" relied on its core competitiveness system (the Six Forces System) and was directed toward the "urban and rural comprehensive layout", while continuously strengthening its independent expansion and establishing "ecological synergies". By consolidating the intelligence and efforts of all parties, such strategy created an open, shared, mutually beneficial and win-win ecosystem, at the same time collaborated with partners to explore and create new values, thus gradually forming a fission business growth trend. Looking forward, the Group will continue to establish "industrial ecological advantages", as well as to create strong capacity for the comprehensive management demands from different local governments, advancing toward the mission of "becoming a trusted integrated service provider of digital and intelligent city operation that leads the development of the industry".

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings of the Group as at 30 June 2023 are secured by:

- (i) pledges over the Group's equity interest in subsidiaries and a non-controlling shareholder's equity interest in a subsidiary as at 30 June 2023 and 31 December 2022; and
- (ii) pledges over certain of the Group's property, plant and equipment, right-of-use assets and receivables under service concession arrangements as at 30 June 2023 and 31 December 2022.

Save as disclosed above, as at 30 June 2023, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a(n) increase/decrease in the Group's net asset value. During the six months ended 30 June 2023, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed 52,713 employees (30 June 2022: 50,436 employees) with total staff cost of approximately HK\$1,301.0 million incurred for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$1,040.7 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 during the six months ended 30 June 2023.

INTERIM DIVIDEND

The Board declared an interim dividend of HK1.2 cents per ordinary share for the six months ended 30 June 2023, payable to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 15 September 2023.

CLOSURES OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 13 September 2023 to Friday, 15 September 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the interim 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 Tuesday, 12 September 2023. The interim dividend is expected to be paid on or around Friday, 6 October 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 six months ended 30 June 2023.

IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REVIEW PERIOD

There was no other important event affecting the Group since 30 June 2023 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Company strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders' interests. For further details of corporate governance practices of the Company, please refer to the "Corporate Governance Report" section contained in the Company's 2022 annual report.

During the six months ended 30 June 2023, the Company has applied the principles of good corporate governance and complied with all code provisions set out in the Corporate Governance Code (Appendix 14 of the Listing Rules of the Stock Exchange).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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 the Directors, all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2023.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive Directors namely Mr. Wu Tak Kong (the chairman of the Audit Committee), Dr. Du Huanzheng and Ms. Judith Yu. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control of the Company. The interim results of the Group for the six months ended 30 June 2023 have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of the Listing Rules have been complied with, in the preparation of relevant results, and sufficient disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.beur.net.cn) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

APPRECIATION

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

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

Hong Kong, 25 August 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. Wu Tak Kong, Dr. Du Huanzheng and Ms. Judith Yu.